Pershing Square Holdings, Ltd.
2022 Annual Report

Pershing Square Holdings, Ltd.

2022 Annual Report and Accounts

Annual Report

Audited Financial Statements

Supplemental U.S. GAAP Disclosures

Disclosures

Company Overview

The Company

Pershing Square Holdings, Ltd. ("PSH", or the "Company") (LN:PSH) (LN:PSHD) (NA:PSH) is an investment holding company structured as a closed-ended fund principally engaged in the business of acquiring and holding significant positions in a concentrated number of large capitalization companies. PSH's objective is to maximize its long-term compound annual rate of growth in intrinsic value per share.

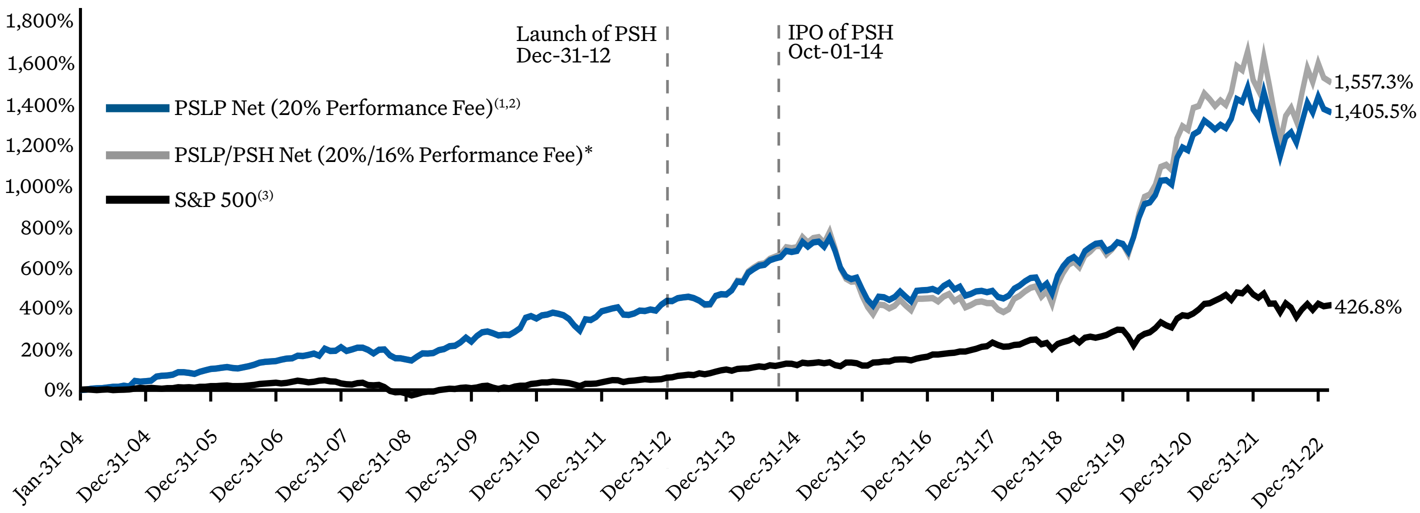
PSH was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It commenced operations on December 31, 2012 as a registered open-ended investment scheme, and on October 1, 2014 converted into a registered closed-ended investment scheme. Public Shares of PSH commenced trading on Euronext Amsterdam N.V. on October 13, 2014. On May 2, 2017, PSH's Public Shares were admitted to the Official List of the UK Listing Authority and commenced trading on the Premium Segment of the Main Market of the London Stock Exchange ("LSE").

PSH has appointed Pershing Square Capital Management, L.P. ("PSCM," the "Investment Manager" or "Pershing Square"), as its investment manager. PSCM was founded by William A. Ackman on January 1, 2004. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of PSH's assets and liabilities in accordance with the investment policy of PSH set forth on pages 32-33 of this Annual Report (the "Investment Policy").

The substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprising liquid, listed large capitalization North American companies. The Investment Manager seeks to invest in high-quality businesses, which it believes have limited downside and generate predictable, recurring cash flows. The Investment Manager is an active and engaged investor that works with its portfolio companies to create substantial, enduring and long-term shareholder value. The Investment Manager aims to manage risks through careful investment selection and portfolio construction, and may use opportunistic hedging strategies, to mitigate market-related downside risk or to take advantage of asymmetric profit opportunities. For more than 19 years, the investment strategy pursued by the Investment Manager has generated a 15.7% annualized net return and cumulative net returns of 1,557.3% for PSLP/PSH (as converted) compared to a 9.0% annualized net return and cumulative net returns of 426.8% for the S&P 500, PSH's historical benchmark index, during the same period.[1,3]

Company Performance

Pershing Square Holdings, Ltd. and Pershing Square, L.P. (“PSLP”) NAV Performance vs. the S&P 500



	PSLP/PSH Net Return*		PSLP Net Return[1,2]	S&P 500[3]
2004	42.6 %	Pershing Square, L.P.	42.6 %	10.9 %
2005	39.9 %		39.9 %	4.9 %
2006	22.5 %		22.5 %	15.8 %
2007	22.0 %		22.0 %	5.5 %
2008	(13.0)%		(13.0)%	(37.0)%
2009	40.6 %		40.6 %	26.4 %
2010	29.7 %		29.7 %	15.1 %
2011	(1.1)%		(1.1)%	2.1 %
2012	13.3 %		13.3 %	16.0 %
2013	9.6 %	Pershing Square Holdings, Ltd.	9.7 %	32.4 %
2014	40.4 %		36.9 %	13.7 %
2015	(20.5)%		(16.2)%	1.4 %
2016	(13.5)%		(9.6)%	11.9 %
2017	(4.0)%		(1.6)%	21.8 %
2018	(0.7)%		(1.2)%	(4.4)%
2019	58.1 %		44.1 %	31.5 %
2020	70.2 %		56.6 %	18.4 %
2021	26.9 %		22.9 %	28.7 %
2022	(8.8)%		(7.8)%	(18.1)%
Year-to-date through March 21, 2023	0.3 %		0.4 %	4.7 %

January 1, 2004–March 21, 2023[1,4]

Cumulative (Since Inception)	1,557.3 %	1,405.5 %	426.8 %
Compound Annual Return	15.7 %	15.2 %	9.0 %

December 31, 2012–March 21, 2023[1,4]

Cumulative (Since PSH Inception)	212.6 %	184.0 %	241.3 %
Compound Annual Return	11.8 %	10.8 %	12.8 %

* NAV return an investor would have earned if it invested in PSLP at its January 1, 2004 inception and converted to PSH at its launch on December 31, 2012. Also see endnote 1 on page 117. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 116-119.

Chairman's Statement

INTRODUCTION

Since the onset of the global coronavirus pandemic three years ago, the world's economy has endured one of the most volatile periods in memory. Uncertainty persisted in 2022 as central banks attempted to navigate a delicate balance between making changes to monetary policy to tame inflation, while avoiding an overreaction that could have a material negative impact on the global economy.

Despite these significant headwinds, our portfolio companies continue to perform well at the operating company level, and to deliver strong results. Nevertheless, market volatility, higher interest rates and multiple compression have led to declines in valuations, and our portfolio companies have not been immune. The Investment Manager pursues a long-term investment strategy and does not typically engage in short term trading in the shares of our portfolio companies. In addition, it rarely uses hedges to protect its mark-to-market performance from short-term downward volatility. However, the Investment Manager does seek to use asymmetric hedging strategies to protect the portfolio from extraordinary negative macro or market events that it anticipates may occur.

In an asymmetric hedging strategy, the Investment Manager invests a typically small amount of capital in a position which will generate a large multiple of the invested capital as the likelihood of the hedged event occurring increases. When realized, this capital is then available to reinvest into existing portfolio companies or other equities at the appropriate time. The Investment Manager's strategy and execution of its hedging program is a significant competitive advantage for PSH. During the three bear markets since the Investment Manager's inception, it has substantially outperformed the S&P 500 due to hedging-related gains and opportunistic investments in high-quality, durable growth companies.

The Investment Manager became concerned about the negative impact of inflation in late 2020 and implemented a hedging strategy which anticipated the prospect of a rising interest rate environment. The investment thesis was correct, and the strategy has successfully offset a meaningful percentage of the mark-to-market stock price declines experienced in the portfolio over the same period. In its report, the Investment Manager discusses its belief that while the stock prices of the portfolio companies have declined, their intrinsic values have increased, which positions PSH well for the future.

INVESTMENT PERFORMANCE

During the year ended December 31, 2022, PSH's Net Asset Value ("NAV") per share, including dividends, decreased by 8.8%, ending the year at $51.76 per share.[i] PSH's share price, including dividends, decreased by 14.6% over the same period as a result of the widening of the discount to NAV at which PSH shares traded from 28.3% to 33.2%.[ii] By comparison, the S&P 500 declined 18.1% during the year ended December 31, 2022, representing PSH NAV and share price outperformance of 930bps and 350bps, respectively.[iii]

PSH's compound annual return over the past five years to December 31, 2022 has been strong with a NAV return of 25.1% (PSH share price 21.9%, S&P 500 9.4%) during that period. These returns are measured after the deduction of management fees and performance fees. The Board is very pleased to highlight the Investment Manager's strong and consistent track record in generating substantial gains in NAV and in the share price, especially amid the recent volatile macroeconomic environment.

PSH's outperformance of the S&P 500 in 2022 was driven by its interest rate hedges. Since the inception of this hedging program in late 2020, these hedges have generated total proceeds of $2.8 billion from a total cost of $419 million for PSH and the other two Pershing Square funds ("the Funds"), as of March 21, 2023. Including the 2020 COVID-19 hedges, the Investment Manager has generated more than $5.3 billion in total hedging proceeds from a cost of $446 million.[iv] Whilst the scale of the gains reflects the impact of particularly anomalous events disrupting financial markets, the Board views these figures as truly extraordinary and appreciates the foresight and execution discipline exhibited by the Investment Manager on behalf of shareholders.

The performance of the entire portfolio along with additional information about the Investment Manager's hedging program is discussed in more detail in the Investment Manager's Report.

INVESTMENT MANAGER

The Board has delegated the task of managing PSH's assets to the Investment Manager as set out in the Investment Management Agreement (the "IMA") entered into by PSH and PSCM at the inception of PSH (as amended from time to time). Although the Board does not make individual investment decisions, the Board is ultimately accountable for oversight of the Investment Manager.

The Investment Manager is a fundamental value investor that utilises a range of engagement strategies to unlock long-term value for shareholders and, among other things, seeks to invest in excellent businesses with opportunities for improvement. These businesses tend to be large cap companies domiciled in North America that generate relatively predictable and growing free-cash-flows, with formidable barriers to entry and a compelling value proposition. The Investment Manager continues to engage constructively with many of PSH's portfolio companies through direct board representation in some situations, and less formal, private engagement in others.

PORTFOLIO CHANGES

As I discussed in my letter to you in August, the Investment Manager established a large position in Netflix in January 2022, and sold the investment in April. The decision to exit the position was taken after the company's Q1 earnings report in which information came to light that caused the Investment Manager to lose confidence in its ability to predict the company's future prospects with a sufficient degree of certainty. Although this led to a loss for PSH, the Board was pleased to see the Investment Manager act decisively when the facts changed, which ultimately allowed the Investment Manager to move on and focus on other opportunities.

Also in 2022, the Investment Manager exited its position in Dominos and liquidated Pershing Square Tontine Holdings ("PSTH"). As I stated in the 2022 Interim Financial Statements, although our commitment to PSTH did not result in an investment for PSH, we did benefit from the process as it led to our investment in Universal Music Group. The Investment Manager has filed a public registration statement for Pershing Square SPARC Holdings, Ltd. ("SPARC" or "Special Purpose Acquisition Rights Company"), which has been designed to be a significantly more efficient and improved successor to the traditional Special Purpose Acquisition Company ("SPAC"). SPARC is subject to SEC review, and if approved, will allow the Investment Manager to work on a potential merger transaction without burdening investors with the opportunity cost of keeping their money in a trust account as is the case with traditional SPACs. The Investment Manager has provided an update about SPARC in its report.

CORPORATE ACTIONS

In 2022, the Board announced a number of corporate actions. In May 2022 PSH redeemed the $631 million balance of its outstanding 5.500% Senior Notes due July 2022. PSH continues to believe that its ability to access low cost, long-term, investment grade debt is a competitive advantage, and its long-term debt management strategy is to manage leverage over time by increasing NAV through strong performance and laddering maturities through new issuances. At present, PSH's debt profile is comprised of a laddered set of maturities, matching our long-term investment horizon, with a weighted average maturity of 9 years and a weighted average cost of capital of 3.1%. PSH's total debt to total capital ratio as of March 21, 2023 is 19.5%.[v] The Board believes that this amount of leverage is conservative, particularly given that PSH's portfolio is liquid and easy to value.

The Board also announced a 25% increase to its quarterly dividend and a new methodology for determining future dividends that ties future increases in dividend payments to NAV growth. In January 2023, the Board increased the dividend again by 4.6% for 2023, based on that methodology.

Finally, the Board also authorised a total of $300 million in share repurchase programs in 2022 as it believed it to be a good use of capital in the current environment.

DISCOUNT TO NAV

Despite PSH's five-year annualized NAV return of 25.1%, representing annual outperformance of 930 bps to the S&P 500 as of December 31, 2022, PSH's discount widened from 21.5% to 33.2% over that period.[vi] While shareholders captured over 82% of the value of the five-year increase in NAV as the share price appreciated 170.0%, the Board is not satisfied with the current discount.

The Board has undertaken a number of corporate actions in recent years to address the discount, and I have set them out below:

- Secured a listing on the London Stock Exchange and subsequent elevation to the FTSE 100 index. As of March 21, 2023, PSH is the 73rd company in the FTSE 100 and would be the 52nd were PSH to trade at NAV.
- Returned a total of $1.4 billion of capital to shareholders since inception as of December 31, 2022:
    - Repurchased 59.1 million PSH Public Shares for $1,100.6 million in the past six years, which represents 24.6% of shares outstanding prior to the repurchases.
    - Initiated a quarterly dividend in 2019 beginning at $0.10 per share and have since increased the dividend twice, by 25% and 4.6%, respectively.
- Increased marketing efforts in the U.K., specifically to retail investors and the "platforms" they use and remained focused on reaching a broader array of potential investors.
- Obtained a reclassification from The Association of Investment Companies ("AIC") for PSH from its Hedge Funds group to U.S. Equity, which more accurately reflects PSH's investment strategy.

In addition, PSCM affiliates own 49.4 million of PSH shares as of March 21, 2023, representing 26% of shares outstanding.[vii] This is one of the largest insider ownerships for a FTSE 100 company and demonstrates the alignment of the long-term interests of the Investment Manager with shareholders.

The Investment Manager devoted a significant portion of its letter to shareholders in the 2022 Interim Report to discussing the existence of the discount and I encourage shareholders who have not yet read it to do so. The Board continues to believe that the most powerful driver of long-term shareholder returns will be continued strong absolute and relative NAV performance.

ESG

While PSH is an investment company without employees or physical operations, the Board has encouraged the Investment Manager to consider ESG best practices within its own organisation and to actively engage on these issues with its portfolio companies when appropriate. The Investment Manager's ESG Statement, available on the Company's website, further describes its ESG practices and how they are integrated into investment selection, risk management and stewardship. ESG risks are analysed as part of the Investment Manager's due diligence process. A business that has not addressed material ESG risks or that has unsustainable business practices will not meet the Investment Manager's investment criteria unless its investment intent is to use its influence to address these issues. ESG risks may present opportunities to engage with boards and management to improve practices that pose sustainability risks in order to stimulate long-term value creation.

CORPORATE GOVERNANCE / BOARD

The Board continues to work effectively and diligently on behalf of all shareholders. The Board has welcomed four new non-executive directors in recent years: Andrew Henton in September 2020, and Tope Lawani, Rupert Morley and Tracy Palandjian in May 2021. Due to COVID-19 travel restrictions, the first time these Directors were able to attend a Board meeting in person was in Guernsey in May 2022. Since then, the new directors have also travelled to New York to meet the Investment Manager's team, and we met again at the annual investor meeting in London in February 2023. Although the Investment Manager and the PSH Board have maintained an open and productive dialogue via virtual meetings, you gain additional knowledge and insights from meeting in person, so we are very pleased that this is now possible again. I would like to thank my fellow directors for all of their contributions and time commitment throughout the year.

EVENTS / SHAREHOLDER ENGAGEMENT

After two years of holding PSH's annual investor meeting virtually, it was wonderful to see so many of you in person this year at the annual investor meeting on February 9, 2023. In addition to our largest in-person audience, we had several hundred shareholders join via webcast. During the meeting, the Investment Manager presented a portfolio update, and slides from the presentation are available on PSH's website: www.pershingsquareholdings.com.

PSH's 2023 Annual General Meeting will be held in Guernsey on May 3, 2023. Details of the event will be posted on www.pershingsquareholdings.com. I will report to you on the first half of 2023 in August 2023, and the Investment Manager will keep you informed of any significant developments in the portfolio before then, when appropriate.

/s/ Anne Farlow

Anne Farlow
Chairman of the Board
March 28, 2023

Investment Manager's Report

LETTER TO SHAREHOLDERS[(5)]

To the Shareholders of Pershing Square Holdings, Ltd.:

In 2022, Pershing Square Holdings generated strong relative NAV performance of negative 8.8% versus negative 18.1% for our principal benchmark, the S&P 500 index.[6] Our total shareholder return was negative 14.6%, as PSH's discount to NAV widened by 4.9 percentage points, from 28.3% to 33.2%, during 2022.[7]

Investors who invested in Pershing Square, L.P. at its inception on January 1, 2004, and transferred their investment to PSH at its inception on December 31, 2012 ("Day One Investors") have grown their equity investment at a 15.7% compounded annual rate over the last 19 years, compared with a 9.0% return had they invested in the S&P 500 during the same period. With the magic of compounding, our 15.7% compound annual NAV return translates into a cumulative total NAV return since inception of 1,557% versus 427% for the S&P 500 over the same period.[8] In other words, Day One Investors have multiplied their equity investment by 16.6 times versus the 5.3 times multiple they would have achieved had they invested in a zero-fee S&P 500 index fund.

Using PSH's stock price return rather than per-share NAV performance, Day One Investors have earned a 13.5% compounded return, an 11-times multiple of their original investment.[9] This lower return reflects the 34% discount to NAV at which PSH's stock currently trades.[10] Our strong preference is for PSH's shares to trade at or around intrinsic value for which we believe our NAV per share is a conservative estimate. With continued strong performance, we expect that PSH's discount to NAV will narrow over time, and its NAV and market value returns will converge.

The Last Five Years

2022's performance reflects a continuation of our strong absolute and relative performance over the last five years. Since the beginning of 2018, our NAV per share (including dividends) has more than tripled, up by 207% compared to 57% for the S&P 500 over the same period. We attribute this high degree of outperformance to our decision to refocus our investment strategy on the core principles that have driven our profitability since the inception of Pershing Square.

Beginning in late 2017, we returned to our roots as an investment-centric operation and made the strategic decision to stop raising capital for our open-ended hedge fund vehicles. Doing so allowed us to reduce the size of our organization and focus our resources on investing rather than the business of asset management, and the associated resource-intensive requirements of continually raising capital.

Over the last five years, PSH has generated a compound annual rate of return of 25.1%, even better than the results of our first nearly 12 years during which time we compounded investor capital at a 21% annual rate until July 2015, the beginning of a two-year period of substantial underperformance which we have previously described and analyzed in great detail.[11]

Over the last five years, we have been an enormous beneficiary of the increased stability of our capital as PSH now represents 87% of our assets under management, 26% of which is owned by affiliates of the investment manager.[12] Our private funds, which comprise 13% of our assets under management, also have highly stable capital as affiliates of the investment manager comprise 40% of their capital, with the balance held by long-term Pershing Square investors, many of whom have been partners and shareholders since our earliest days. With more than $3.2 billion of equity capital invested alongside our shareholders and other investors, we are well-aligned and highly incentivized to generate high long-term rates of return while carefully managing the risk of a permanent loss of capital.[13]

Stock Market Volatility is the Friend of the Long-term Investor

While our NAV declined by 8.8% in 2022, the volatility markets experienced in 2022 should set the stage for greater long-term outperformance for PSH. Last year, we made few portfolio changes other than with respect to the acquisition and/or disposition of hedging instruments and the purchase and sale of Netflix which we have previously described in detail here. We prefer less rather than more investment-related activity as it is an indication that we have made good decisions about where to invest our capital for the long term. Constant turnover of the portfolio of a so-called long-term investment manager is generally an indication of poor investment decisions that had to be reconsidered.

We think of PSH as a vehicle by which one can own an indirect, proportionate interest in our underlying portfolio companies, cash, and hedges. While most of our portfolio companies share prices declined in 2022, they continued to generate strong business performance, increased earnings, and greater free cash flow per share. Our companies' long-term prospects remain highly attractive, and we accordingly made minimal changes to our core equity holdings in 2022.

About half of our companies (or five of seven if we exclude Fannie and Freddie which are unable to repurchase shares) repurchased their own shares during the year thereby increasing our ownership without any additional investment from PSH. As a result of PSH's and our companies' share repurchase programs in 2022, our shareholders' 'look-through' ownership of PSH's underlying portfolio increased by 8.2%, half from PSH buybacks and the balance from share repurchase programs of our portfolio companies.[14] If we are correct in our assessment of our companies' future prospects, our increased 'look-through' ownership will amplify our returns in future years as our companies continue to increase in intrinsic value, which over the long term will be reflected in their share prices.

Share Repurchases and Our Discount to NAV

While a corporation's persistent discount to its intrinsic value impairs its ability to raise low-cost equity capital and is a negative for shareholders who seek to sell in the short term, it can be a significant opportunity for long-term owners of PSH. We have no interest in raising equity capital, but relish the opportunity to buy back shares at 30+% discounts to NAV. We took advantage of the discount in 2022 by purchasing 8.3 million shares representing 4.1% of shares outstanding at an average price of $31.94 and a discount to NAV of 33%.

Since we began our share repurchase program on May 1, 2017, we have acquired 59.8 million shares or 25% of our shares outstanding at an average price of $18.80 and discount of 28%, which has added 1.2% per annum to our annual NAV returns since the inception of the program.

We intend to continue to opportunistically repurchase shares if it remains a good use of our capital relative to other opportunities. Our requirements for buying back shares include:

(1) we have substantial free cash available for purchases, and do not believe that we will be able to identify an attractive new investment in the then-current market environment,

(2) our existing holdings are trading at large discounts to their intrinsic value,

(3) the repurchase will not cause PSH to be overleveraged,

(4) the price paid is a very large discount to NAV, and

(5) we do not believe that further reductions in float will be counterproductive to our goal of causing PSH to trade at or around intrinsic value.

We continue to believe, and our experience to date has demonstrated, that even an aggressive share repurchase program will not cause the discount to narrow. That said, if the above criteria are met, share buybacks can be a useful and value-creating opportunistic tool for PSH.

We have not given up on addressing the wide discount at which our shares trade. We are continuing to consider potential transformational transactions that would enable PSH to become part of a U.S. listed company (which would not necessarily require that we give up our UK and Amsterdam listings and which would greatly increase the universe of investors who can own PSH). We are unable at this stage to estimate the probability or timing of achieving such a transaction, but we are considering a number of potential ideas at this time.

2022 In Review

2022 was characterized by a high degree of stock market volatility driven by aggressive global central bank interest rate increases, the war in Ukraine, and broad-based declines in nearly every asset class. In that the value of financial assets is based upon the present value of their future cash flows discounted back at an appropriate interest rate, broad based increases in interest rates combined with greater global risk and uncertainty caused discount rates to increase substantially and asset values to decline. In other words, higher required investment returns from investors lowered the price that investors were prepared to pay for financial assets, causing stock prices to decline.

Our equity holdings responded accordingly. Despite significant business progress in 2022 at each of our portfolio companies, the effect of higher discount rates for all but two of our companies overwhelmed their anticipated business progress, leading to stock price declines and mark-to-market losses for Pershing Square. Restaurant Brands and Canadian Pacific generated marginally positive total returns in 2022 as their business progress exceeded market expectations and overcame the downward impact on valuations from the rise in rates.[15] Overall, our long-term equity portfolio generated a negative total return (including dividends) of 16.1% in 2022.[16] In addition, PSH's NAV declined by an additional 5.2% due to Netflix and losses in connection with the liquidation of Pershing Square Tontine Holdings, Ltd.[17]

Our losses on equities were offset somewhat by interest rate hedges, which contributed 14.3 percentage points of positive performance in 2022.[18] These hedging gains, combined with our COVID-19 CDS hedges in February 2020, have been a highly material contributor over the last three years as they have generated approximately $5.3 billion in total hedging proceeds to date versus a cost of $446 million, the substantial majority of which have been redeployed in equities in a timely manner, which in turn have, in nearly all cases, increased substantially in value, further amplifying the benefits of our hedging gains.[19]

Why Did We Not Sell Equities in Light of Our Views on Interest Rates?

In light of our views on interest rates and their impact on equity values, why, you might ask, did we not sell or reduce our equity holdings in 2022? The answer is that our strategy is to maximize the growth in our long-term NAV per share which requires us to endure some amount of short-term, mark-to-market trading losses. We do not typically sell our core portfolio holdings even if we believe it is highly probable that they will decline in price in the short term, as long as our view of their long-term potential remains largely unchanged. We limit our short-term trading for this reason as doing otherwise will likely lead to lower long-term rates of return for Pershing Square due to several factors.

We are often one of the largest shareholders of our companies. Over time, we have built important, longstanding relationships with their management teams and boards, which have enabled us to be an influential shareholder. We believe our influence increases the probability of value-maximizing decisions being made by our portfolio companies while reducing the risk of value-destroying errors. Were we to constantly trade around our positions, we would have a less credible voice with management and other shareholders when advocating for strategic initiatives and corporate changes which have long-term implications.

Furthermore, large frictional costs are often incurred when acquiring and disposing of large holdings. To be successful as a short-term trader of large ownership stakes, we would have to successfully estimate how much a stock price will decline based on macro events, and then accurately predict what price we would have pay to repurchase the position. While our predictions about macro risks have been largely accurate, we cannot expect to always get it right. And even if we are correct in our macro assessments, it is far less knowable how and for how long the stock market and individual stocks might react to these events. A short-term trading program might enable us to avoid a small loss at the much larger cost of missing substantial stock price increases thereafter. As a result, we do not trade around our long-term holdings and generally only make adjustments in the size of positions to manage concentration risks in the portfolio.

Some have suggested that we should launch a macro fund so that investors who desire exposure to just our macro strategy would be able to directly participate in what has been a very high-performing strategy. The problem, however, with this approach is that we have only found macro investments that fit our requirements – namely a high degree of asymmetry and a high confidence level in the predicted outcome – to be episodically available. While we made large profits hedging the financial crisis in 2008, we made no material macro-related investments after the crisis until February 2020. While we have continued to identify interesting asymmetric macro investments over the past three years, there is no certainty that similar opportunities will present themselves in the future.

For the above reasons, we believe that our strategy of owning simple, predictable, free-cash-flow-generative, highly-durable and well-capitalized growth companies combined with occasional, opportunistic, asymmetric hedges will generate the highest, long-term rates of return for Pershing Square with the least amount of risk of a material permanent loss of capital. Our approach also has the benefit of being a better fit with our temperament, is less stress inducing, and much more time efficient. We therefore remain committed to this strategy that has served us well for nearly 20 years.

Market and Geopolitical Risks in 2023

We are operating in one of the most uncertain and risky environments in decades. As of the present moment, we are in the midst of what may be the early stages of a U.S. banking crisis with the potential for it to spread globally with Credit Suisse's recent demise. Financial institutions are inextricably linked, and one large banking failure can ignite another and so on. This remains true even though some of the enormous derivative risks that almost took down the financial system during the crisis have been mitigated somewhat due to requirements for exchange trading of most derivatives. Banking is confidence sensitive. A run on deposits at one large bank, most recently Silicon Valley Bank (SVB), the 16th largest U.S. bank by assets, has the potential to spread to other financial institutions.

Until SVB failed, the vast majority of depositors did not concern themselves with the lack of deposit insurance for accounts above the FDIC-insured limits of $250,000. In reality, uninsured depositors are unsecured creditors of a bank which are at risk of loss in the event the bank were to fail. The events of the last few weeks made this manifestly clear as it was only a last-minute and apparently reluctant decision for the government to step in and guarantee uninsured deposits at SVB.

Now that uninsured depositors understand that there remains a risk that they will lose access to and/or have their deposits impaired, many businesses are rethinking their working capital management and investment strategies. This concern is compounded by the large increase in short-term interest rates. Since the financial crisis, there was little if any return offered on short-term funds, and depositors were therefore not particularly concerned about the yields, if any, they earned on deposits. The recent large increase in short-term rates has caused CFOs and corporate treasurers at all companies to become more disciplined about maximizing the yield they can earn on short-term cash. This will increase the cost of deposits for most banks, as they will have to be more competitive with money market accounts, putting pressure on bank's net interest margins.

The U.S. economy relies on its large network of community and regional banks to provide access to debt capital, particularly for small and medium-sized companies that do not have access to the public capital markets. These banks also are major providers of real estate and construction loans as the large so-called systemically important banks have for the most part exited these lending categories other than for large capitalization, usually investment grade, corporate borrowers.

About 70% of commercial real estate bank loans are made by regional and smaller banks. There is a logic to this approach as real estate is inherently a local business, and a geographically proximate bank should be in a better position to assess the risks of local borrowers and the likelihood of their projects' and business' success. Increases in the cost of capital for regional banks will be passed along to their borrowers, and as a result fewer commercial real estate projects will be viable due to the higher cost of this capital. This will be a drag on the U.S. economy and will make it more difficult for existing real estate owners to refinance their debts when they come due, which will negatively impact real estate values further impairing bank balance sheets.

Our Approach to Cash Management

We have always taken a conservative approach to managing our cash as we have always been long-term skeptics of even highly-rated financial institutions, and on occasion, have profited from this skepticism. We therefore minimize the amount of cash we keep in banks to only what we need for daily liquidity purposes and sweep the balance into U.S. Treasury money market funds or into the direct purchase and ownership of short-term U.S. Treasurys. We are also highly selective as to which banks we do business with, keeping cash only at global systemically-important banks that we trust.

Sharing Our Views

Over the last couple of weeks, I took to Twitter to make the case for the FDIC – which insures deposits at U.S. banks with the proceeds of fees it charges to banks – to increase its current $250,000 per account limit. I recommended an immediate but temporary guarantee of all uninsured deposits to give time for the FDIC to update its current deposit guarantee system. I went public with my concerns and recommendations because I believe that the failure of Silvergate, SVB, and Signature Bank – the latter two within three days of each other – and the substantial declines in stock prices of the regional banks are putting our regional and community banking system at risk, which, as explained above, is a very important long-term driver of our economy.

PSH has obvious reasons to want the U.S. economy to be strong, as nearly every business, including the ones we own, is impacted by the deterioration of our economy. When we believe a mistake is being made by our government and/or regulators that will negatively impact our portfolio and the country by greatly damaging our economy and capitalist system, we believe it can be helpful to share our views.

While Twitter can be a maelstrom of negativity and criticism, it is a very efficient means to get the message out. Before Twitter, we would generally use the media, including appearances on business television and public presentations at conferences, to share our views about policy (*Who's Holding the Bag?* was one of our most prescient).

We still, on occasion, use these more traditional forms of communication, but we like the ability to control our message without it being excerpted in a manner which could create a misleading impression, something we have occasionally experienced when relying on more traditional forms of media.

We have always been puzzled as to why market participants' views are criticized by observers who claim that investors' opinions are inherently conflicted, and therefore should be ignored. When we are seeking to understand the economy and market developments, we vastly prefer the opinion of thoughtful long-term investors over those of media commentators, academics, and other so-called disinterested observers. We would rather hear from active market participants who have capital at risk that coincide with their views, rather than 'unconflicted' pundits who suffer no economic cost when they get it wrong.

When it comes to our sharing our views about policy, our biggest conflict, if one were to call it one, is that we are large investors in businesses that benefit when the U.S. and global economies are strong. It is easier to profit as a long-term, long-only investor when a rising tide is lifting all boats.

The Banking Crisis

Since sharing our views on Twitter during this banking crisis could be perceived as having an impact on the short-term trading prices of bank securities, we elected to pass on any investment opportunities in banks, long or short, while sharing our views on what we believed the government should do. In our view, the failure to protect SVB depositors would have been a catastrophic policy error that would likely have led to massive runs on nearly every non-SIB bank by uninsured and even some insured depositors, and caused enormous damage to our economy. It would also likely have harmed U.S. competitiveness and our national defense in light of the tens of thousands of highly innovative technology companies that held large amounts of uninsured deposits at SVB.

As of this writing, the government has not fully adopted our recommendations as it has left open the question about what would happen to uninsured depositors at other institutions unless and until the regulators deem each future bank failure a systemically important one. We continue to believe that this individualized, bank-by-bank deposit guarantee approach is a policy mistake that will impair, potentially permanently, our network of regional banks by massively increasing their cost of capital and reducing their access to low-cost deposits.

Banking is a confidence sensitive business. The failure of three regional banks in a few weeks, including SVB with more than $200 billion of assets and $170 billion of deposits, and our regulators' conflicting public statements, often from one day to the next about its support, or lack thereof, for depositors, have reduced investor, business, and consumer confidence in our banking system.

The uncertainty around how uninsured depositors will be treated is occurring at a time when the earnings power of regional and community banks is under pressure because of the increasing cost of their liabilities, declines in their share prices, and impairment in the value of their assets largely driven by the Federal Reserve's increase in interest rates. The rise in rates has caused a decline in the value of banks' fixed-rate securities and fixed-rate loan portfolios, which has occurred along with deterioration in their commercial real estate loan portfolios due to work-from-home's and the pandemic's impact particularly on office assets.

According to GAAP accounting, our banking system is nominally the best capitalized it has been in decades, but this is in large part due to the fact that banks are permitted to value a large portion of their assets, namely their so-called held to maturity (HTM) fixed-rate securities and loan portfolios, at amortized cost rather than market value, creating a misleading perception of banks' true financial strength. Despite the fact that our accounting and regulatory regimes allow these assets to be carried at amortized cost, that does not make them more valuable than the price that would be realized if these assets had to be sold in the market.

There are reportedly ~$620 billion of mark-to-market losses on banks' security portfolios that are not currently reflected on bank's financial statements. If deposits continue to leave our regional banks and go to the larger systemically important banks and money market funds, regional banks will need to continue to borrow from the Federal Reserve banks through their "discount windows" and a newly created emergency program allowing banks to borrow against their HTM securities portfolios valued at amortized cost rather than market value.

While these Federal Reserve lending programs can help address the short-term liquidity needs of banks from deposits being withdrawn, they do so at a highly burdensome cost versus the near-zero interest rates that banks have been paying on deposits. They are a stop-gap, temporary solution to address short-term liquidity issues, but they do not solve the regional banks' long-term funding needs and their cost of liabilities. We believe that uninsured deposits are likely to continue to leave regional banks unless and until an updated, systemwide deposit guarantee is introduced, and the sooner the better. Credit-related concerns of depositors are compounding deposit flight due to the substantially higher yields offered on money market funds, which will not abate even if all uninsured deposits are guaranteed. It is difficult for banks to get depositors to return once they have moved elsewhere and found acceptable, and likely higher-yielding, alternatives.

While we understand the concerns that some have raised about moral hazard risk due to government intervention, we think these concerns are misplaced. The banks' managements and boards, and the shareholders and bondholders who mismanaged or failed to oversee the risks that led to their banks' demise, have suffered severe outcomes including the complete destruction of shareholder and bondholder capital, the firing of management teams, the potential for significant civil and criminal liability, and enormous reputational damage.

No bank board or management team who has witnessed recent events will be inclined to take on more risk in the future simply because their depositors have not borne a loss. The opposite is much more likely to be true. Furthermore, a banking system that requires uninsured depositors to constantly assess their bank's creditworthiness is not a viable one. We need a larger deposit guarantee regime, and we need it soon. The experience of the last three weeks of investing in banks will be seared upon the memories of bank investors for a generation or more. The longer this uncertainty continues, the higher their cost of capital and the less viable regional and smaller banks will be in the future to the detriment of our economy over the long term.

Geopolitical Risk and Artificial Intelligence

While the banking crisis is our most recent immediate concern, geopolitical risk remains highly elevated, higher than at any time perhaps in the last 50 years. North Korea continues to test ICBMs, China is building deeper ties to Russia including potentially supplying drones and other military assets while remaining intent on taking control of Taiwan, the war in Ukraine continues unabated without a foreseeable end, the U.S. is responding to attacks from Iran with 'targeted' responsive attacks, Israel is in the midst of a political crisis while being engaged in stopping Iran from obtaining nuclear capabilities, and the U.S. political system remains highly divisive with the threat of a potential default on our Treasury obligations looming, creating a highly uncertain and risky environment.

The recent launch of highly powerful Artificial Intelligence (AI) systems also creates considerable uncertainty about the future. While AI may be an extremely positive force for good, in the wrong hands, it can be a global threat. AI is likely to disrupt many businesses, including ones that until now seemed to have impenetrable moats. We are working diligently to understand the impact of AI on our companies, including how AI can be used in our own business, so that we better comprehend its short - and long-term implications.

While we have sought to hedge the potential economic risks from all of the above risks, there are no particularly good hedges. Our best protection against geopolitical risk is to own businesses that can survive the test of time, ones that are largely immune to the events that they or we cannot control. Since the beginning of the U.S. equity capital markets, certain great businesses have survived world wars, pandemics, periods of high levels of inflation, massive technological changes, the Great Depression, political divisiveness and civil unrest, and many thousands more have failed due to these stresses. The key to our strategy is identifying which companies have the widest economic and geopolitical moats, constantly stress testing these moats, and making sure our portfolio companies have fortress balance sheets that would enable them to manage through the inevitable risks of the modern world. Investment selection is our most important risk mitigation strategy in an uncertain world.

Pershing Square SPARC Holdings, Ltd. (SPARC)

On March 24th, we filed another, hopefully near-final, amendment to SPARC's registration statement that we hope should address the minimal remaining comments that we have received from the SEC. To review, SPARC is an acquisition company, but without the drawbacks of conventional SPACs. Among other beneficial features, investors in SPARC do not need to invest any capital until we have identified a transaction, completed our due diligence, entered into a definitive agreement, had the transaction's registration statement declared effective by the SEC, and obtained other required regulatory approvals. Once the transaction is ready to close, SPARC rights (SPARs) holders have 20 business days to decide whether to exercise their rights or sell them in the market.

The SPARs have a minimum exercise price of $10. We have the ability to increase the exercise price to the extent a transaction requires more capital. This will allow us to raise more capital if needed and greatly expand the universe of potential targets from ones that require $1.5 billion of capital (the amount raised at the $10 minimum SPAR exercise price and with the Sponsor's minimum committed Forward Purchase Amount, assuming the exercise of all SPARs) to effectively unlimited amounts of capital. The Pershing Square funds will be investing a minimum of $250 million in SPARC's transaction, and potentially substantially more depending upon the nature of the target, the terms of the transaction, and other factors.

The structure of SPARC effectively eliminates the time pressure on the Sponsor, as the SPARs have a 10-year term. Since we are not raising upfront capital, but rather are distributing SPARs to former Pershing Square Tontine Holdings, Ltd. shareholders and warrant holders, SPARC will have no underwriting fees, nor any shareholder warrants. The only dilutive security in SPARC's structure is a 20% out-of-the-money warrant on 5.104% (4.95% for the Sponsor and 0.154% for advisory board members) of the newly merged company's shares outstanding on a fully diluted basis, with the balance of the shares comprised entirely of common stock. At the launch of SPARC, these Sponsor Warrants will be purchased by PSH and the two Pershing Square private funds for their fair market value as determined by us in consultation with a nationally-recognized valuation firm, capital that will be used to fund the search for a target and to pay SPARC's operating expenses.

In today's extremely challenging equity capital markets environment, where few if any IPOs can be completed, SPARC's ability to offer substantial transaction certainty, including a fixed transaction price and a guaranteed minimum amount of capital (the amount committed by the Sponsor) raised in a public offering, will make SPARC a highly attractive counterparty for private companies seeking to raise capital and go public. We expect the phone will start ringing shortly after our registration statement becomes effective and the SPARs are distributed to former Tontine investors.

We believe that a successful initial SPARC transaction will facilitate opportunities for future SPARCs. As such, we are hopeful that SPARC will play an important role in expanding our investment universe to include the acquisition of stakes in private companies on favorable terms.

2022 was a challenging year to be an investor in the capital markets. We have managed successfully through challenging periods like 2022 because Pershing Square was designed and built to be able to navigate the most extreme economic, investment, and geopolitical environments. This is largely due to the strength of our team. We are incredibly fortunate to come into work every day (we are not fans of work from home) alongside an extremely high functioning team in a beautiful and productive work environment. Our human assets represent substantially all of our productive capacity. We are an asset-light business where the talent walks out the door every day, so our success is largely a function of the culture we have built over nearly 20 years.

We have had minimal turnover at Pershing Square in the last five years since we made our strategic pivot. Limited turnover is highly unusual for an investment firm. The long-duration nature of the team is partially due to the fact that we do not have an "up or out" individualized culture. Pershing Square succeeds on the basis of the strength of the overall team, not because of one or two standalone superstars. We also value learning as much from our mistakes as from our successes. We carefully study our mistakes, both errors of commission and omission, and we share them publicly to keep you informed and to imprint them even deeper in our minds.

We have also learned to choose well when selecting new members of the team. Risk is greatly reduced when you work with colleagues with whom you have had the opportunity to build mutual trust over many years.

While it is difficult to predict the future in an uncertain world, we believe we are well positioned to generate high rates of return over the long term. Our confidence in our future prospects is based on the durability of our capital structure, the strength and well-aligned incentives of the team, our experience in identifying and helping to steward some of the best and most highly durable growth companies in the world, and our ability to continuously improve and learn from our mistakes.

None of the above would be possible without your support and long-term commitment for which we are extraordinarily grateful. There are few investment managers in the world that have been offered such an opportunity, and we will continue to work diligently to deliver the long-term results that such a commitment from our shareholders deserves.

Sincerely,

William A. Ackman

PORTFOLIO UPDATE [20]

Performance Attribution

Below are the contributors and detractors to gross performance of the portfolio of the Company for 2022 and year-to-date 2023.[21]

January 1, 2022 – December 31, 2022	
Interest Rate Swaptions	14.3 %
Restaurant Brands International Inc.	1.4 %
Share Buyback Accretion	1.2 %
Energy Options	0.5 %
Canadian Pacific Railway Limited	0.5 %
Currency Options	(0.7)%
Bond Interest Expense	(0.8)%
Pershing Square Tontine Holdings, Ltd.	(1.3)%
The Howard Hughes Corporation	(2.0)%
Hilton Worldwide Holdings Inc.	(2.3)%
Universal Music Group N.V.	(2.5)%
Domino's Pizza Inc.	(2.8)%
Chipotle Mexican Grill, Inc.	(3.1)%
Netflix, Inc.	(3.9)%
Lowe's Companies Inc.	(4.5)%
All Other Positions and Other Income/Expense	(1.4)%
Contributors Less Detractors (Gross Return)	**(7.4)%**

January 1, 2023 – March 21, 2023	
Chipotle Mexican Grill, Inc.	2.3 %
Hilton Worldwide Holdings Inc.	1.3 %
Undisclosed Position	1.2 %
Share Buyback Accretion	0.1 %
Bond Interest Expense	(0.2)%
Energy Options	(0.7)%
Interest Rate Swaptions	(3.2)%
All Other Positions and Other Income/Expense	(0.2)%
Contributors Less Detractors (Gross Return)	**0.6 %**

Contributors or detractors to performance of 50 basis points or more are listed above separately, while contributors or detractors to performance of less than 50 basis points are aggregated, except for bond interest expense and share buyback accretion. Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and important disclaimers on pages 116-119.

Portfolio Update:

Universal Music Group ("UMG")

Universal Music Group is the world's leading music entertainment company and a high-quality, capital-light business that can be best thought of as a rapidly growing royalty on greater global consumption and monetization of music.

UMG has a decades-long runway for growth driven by increasing streaming penetration combined with the development of new services, platforms, and business models. At its inaugural Capital Markets Day in 2021, the company unveiled mid-term targets of high-single-digit revenue growth and mid-20s% EBITDA margins. Because of the rapid growth of streaming and the resurgence of vinyl (records) and merchandising, the company has vastly outperformed its own guidance with its revenue growth averaging 14% since its public offering in 2021. In 2022, UMG's organic revenues and Adjusted EBITDA grew 12% as reported margins modestly declined due to lower-margin businesses returning to pre-COVID-19 levels.

We believe that the long-term outlook for UMG is excellent and that the company will continue to outperform its mid-term guidance. Music remains one of the lowest-cost, highest-value forms of entertainment. Since the launch of streaming services more than a decade ago, the monthly cost of a subscription plan had been flat at $10 until last year. In recent months, a number of the DSPs (digital service providers or streaming platforms) including Apple, Amazon and Deezer increased prices for their individual subscription plans in developed markets by 10% to $10.99 and by an even higher percentage for family and student plans. We believe that breaking the $10 barrier is a watershed moment, as other platforms will likely follow suit, and regular price increases will become the norm in the audio streaming industry as they are in the video streaming industry. At $10.99/month today (and less for a family plan on a per-person basis), one can listen to virtually any song ever recorded on any device, anywhere, anytime, at a value price.

While streaming helped revive the industry by convincing consumers to pay for music again, it also has its shortcomings. Many DSPs have become inundated with more than 100,000 tracks per day, many of which are low-quality, fraudulent, and/or 31-second tracks meant to game the system and divert royalties away from artists and songwriters. While more than 9 million artists have uploaded songs to Spotify, based on data shared by Spotify, only 2% of these artists have uploaded more than 10 songs and have more than 10,000 monthly users.

UMG is working directly with the DSPs to improve streaming's economic model towards an "artist-centric" approach that gives more value to the artists that drive subscriber growth, engagement, and retention. While these changes may take time to be fully implemented, we believe that UMG will benefit from a greater share of streaming royalties due to its enormous breadth and depth in its artist roster. Similarly, while streaming led to broad adoption among consumers, a single price point for all consumers does not allow for customer segmentation. According to the BPI (an industry trade group), 15% of consumers account for 35% of all music spend, implying a significant opportunity for platforms and labels to better segment their customers and monetize superfans through targeted offerings.

At its current valuation, UMG's attractive business characteristics and its long-term sustainable and robust earnings growth remain substantially undervalued. We believe that UMG also has further opportunities to improve its governance, investor relations and capital allocation as it builds experience as a public company, which should contribute to shareholder value creation.

Lowe's ("LOW")

Lowe's is a high-quality business with significant long-term earnings growth potential underpinned by a superb management team that has been successfully executing a multi-faceted business transformation.

2022 presented a challenging macroeconomic backdrop which required Lowe's to navigate commodity and retail price inflation along with the post-COVID-19 normalization of consumer purchase patterns. These challenges were further complicated by a shift in Lowe's selling channels, with Do-It-Yourself ("DIY") categories generating relatively weak results, offset by continued strength for projects requiring professional installation (the "Pro" business), a critical focus area for the company. Despite these headwinds, Lowe's delivered strong financial results including nearly flat same-store-sales growth, revenue growth of 1%, operating profit growth of 5% (and an improved now 13.0% operating margin), and 15% growth in earnings-per-share, aided by a large share buyback program.

At present, the macroeconomic picture continues to create uncertainty about the short-term prospects of the home improvement business. The rapid rise of mortgage rates in 2022 combined with elevated home prices has meaningfully pressured homebuyer affordability. As a result, existing home sales have declined sharply in recent months. These factors have caused many market participants to become concerned that the home improvement sector is at risk of revenue and profit deterioration.

We are more constructive on the sector as its demand drivers tend to more closely correlate with home price appreciation, the age of the country's housing stock, and consumers' disposable income, all of which are predictive of future growth in demand. In addition, the national housing shortage, a lack of new builder inventory, continued post-COVID-19 hybrid work, high levels of home equity (vs. pre-COVID-19 levels), and continued strong Pro project backlogs should also continue to underpin home improvement market growth over the medium term. Furthermore, nearly two-thirds of Lowe's revenue comes from non-deferrable repair and maintenance activity, which should be relatively unaffected by the macroeconomic environment.

In December, Lowe's held its semiannual Analyst Day at which the company updated its medium-term targets to $520 sales per square foot (a low-teens percentage uplift from current levels), an operating margin target of 14.5%, with "line of sight" to 15% thereafter, and a targeted return on invested capital of 45%. If Lowe's were to achieve these targets over the next several years, the company's earnings would increase to more than $20 of earnings-per-share, or approximately 50% above current levels. In other words, the continued successful execution of Lowe's business transformation should allow the company to generate accelerated earnings growth for the foreseeable future.

Notwithstanding our views on Lowe's attractive long-term earnings outlook, Lowe's currently trades at only 13.5 times forward earnings, a low valuation for a business of this quality, and a substantial discount to its direct competitor, Home Depot which trades at a price-earnings multiple of 18 times. We believe that Lowe's current valuation reflects investors negative sentiment regarding the US housing market and incorporates the possibility of a greater than expected revenue decline. We are confident in management's ability to execute and expect that Lowe's will continue to generate high rates of return for shareholders as it continues its successful transformation.

Chipotle ("CMG")

Chipotle delivered another year of impressive results in 2022, expanding same-store sales and restaurant-level margins despite facing one of the highest inflationary environments on record.

During 2022, Chipotle grew same-store sales by 8%, or 31% from 2019 levels. While 2022 growth was driven by price increases to offset cost inflation, traffic is still up materially from 2019 levels as the company's strong value proposition and menu innovations continue to resonate with customers. Chipotle offers high-quality and affordable food with a chicken entrée priced below $9 on average. This pricing remains a meaningful discount to alternatives from fast-casual competitors and represents tremendous value given Chipotle's unrivaled use of wholesome ingredients, fresh preparation, customization, and convenience.

Chipotle's attractive unit economic model remains firmly intact despite the inflationary environment. The company was one of the few businesses in the restaurant industry to expand margins in 2022, with restaurant-level margins up 130 basis points (bps) to 23.9%. Management has also highlighted the opportunity to further increase same-store sales and profitability by improving throughput in the near term.

The company's growth runway remains robust. In North America, management estimates its potential to more than double its restaurant count to 7,000 over time by adding small-town locations and focusing on the high-performing Chipotlane digital drive-thru format, which represents over 80% of new store openings and is currently only 18% of the store base. In addition to new restaurants in North America, Chipotle's many growth opportunities include menu innovation such as the recently launched chicken al pastor, loyalty program enhancements, and eventually international store growth and a breakfast offering.

Restaurant Brands ("QSR")

QSR's franchised business model is a high-quality, capital-light, growing annuity that generates high-margin brand royalty fees from its four leading concepts: Burger King, Tim Hortons, Popeyes, and Firehouse Subs.

In November, Patrick Doyle, the legendary CEO who led Domino's Pizza's turnaround, joined as Executive Chairman. Under his tenure, Domino's became the #1 pizza company by doubling systemwide sales and franchisee profitability driving a 23-fold increase in its share price over eight years. We believe that Patrick can accelerate growth at QSR and help the company achieve its full potential. He has purchased $30 million of QSR shares in the open market and has accepted a compensation arrangement that is entirely tied to QSR's share price. QSR also recently promoted Josh Kobza to CEO, who will help execute on Patrick's strategic vision in his new role.

QSR is continuing to make progress in positioning each of its brands for sustainable, long-term growth. To reinvigorate growth at Burger King in the U.S., the company launched a $400 million program to "reclaim the flame," which includes $150 million in advertising and digital investments and $250 million in modernizing its restaurants. While the program was only recently launched, Burger King U.S.'s performance has started to improve, with the most recent quarter's same-store sales 4% above pre-COVID-19 levels. Tim Hortons Canada has also improved to 9% same-store sales above pre-COVID-19 levels, despite Canada's reopening significantly trailing the U.S. Meanwhile, Burger King International, Popeyes and Firehouse continue to generate strong same-store sales relative to pre-COVID-19 levels, with results that are in-line or above their peers.

We believe that QSR's franchised-based royalty model is particularly attractive in today's inflationary environment as the company's revenues benefit as its franchisees increase prices, while the company's cost structure is generally not subject to the same degree of inflationary pressures. QSR can continue to grow its business with minimal capital required as its franchisees open new units. Despite idiosyncratic issues in certain countries, QSR's unit growth has returned to its historic mid-single-digit growth rate and is poised for an acceleration this year. As a result of its improving same-store sales coupled with strong unit growth, QSR's earnings are now greater than prior to COVID-19 and are increasing at an attractive rate.

Despite improved brand performance and continued strong unit growth, QSR still trades at a wide discount to both its intrinsic value and its peers, which have lower long-term growth potential. As each of its brands return to sustainable growth, QSR's share price should more accurately reflect our views of its business fundamentals over time. In light of higher interest rates and to increase its financial flexibility, the company is currently reducing leverage rather than share repurchases. We expect the company to return to repurchasing shares once it has reached its leverage target.

Hilton ("HLT")

Hilton is a high-quality, asset-light, high-margin business with significant long-term growth potential. Over the past three years, management has done a remarkable job of navigating through the COVID-19 pandemic. In the third quarter of 2022, HLT's revenue per room ("RevPAR"), the industry metric for same-store sales, surpassed 2019 levels for the first time. 2022 benefited from the strength of domestic leisure travel occasions – as consumers' post-COVID-19 spending shifted from goods to services – and the continued recovery of business transient and group travel.

Hilton's RevPAR has now surpassed 2019 even though occupancy has not yet fully recovered. RevPAR growth has been supported by an increase in average daily rate ("ADR"), resulting from strong consumer demand, a positive mix-shift from large corporations to small and medium-sized businesses, and broad inflationary pressures throughout 2022. Average daily rates have stabilized 10% to 15% above 2019 levels (representing 3-4% compound annual growth) while occupancy continues to improve as business travel occasions normalize, which should support current RevPAR levels. These factors, combined with an easy comparison from first-half 2022, position Hilton for a year of above-trend RevPAR growth in 2023.

Over the medium-term, Hilton will benefit from continued strong growth from non-RevPAR fee earnings (e.g., Hilton Grand Vacations royalty fees, Hilton Honors American Express card program) and the acceleration of net unit growth back to Hilton's historical 6% to 7% growth algorithm, aided in part by organic new brand development (notably, the recently announced Spark by Hilton). Strong revenue growth combined with Hilton's excellent cost control, high incremental margins, and its substantial capital return program should drive robust earnings growth for the foreseeable future.

Despite Hilton's unique business model and attractive long-term earnings algorithm, the stock remains attractively priced at approximately 24 times forward earnings. We find Hilton's valuation to be compelling given its industry-leading competitive position, superb management team, attractive long-term net unit growth algorithm, and best-in-class capital return policy.

The Howard Hughes Corporation ("HHC")

HHC's uniquely advantaged business model of owning master planned communities ("MPCs") drove robust performance in 2022 amidst a challenging macroeconomic backdrop.

As mortgage rates rose throughout the year, the relative affordability of HHC's MPCs remained highly attractive to prospective homebuyers. HHC's MPCs are well-located in low cost-of-living, low-tax states like Texas and Nevada, which continue to benefit from significant in-migration. Despite a slowdown in the broader housing market, HHC's land sales were supported by strong pricing growth and resilient volume. Average land sale price per acre increased 32% in 2022, reflecting supply-demand imbalances and historically low homebuilder lot inventories in HHC's MPC metro-areas (Houston, Las Vegas, and Phoenix).

In its income-producing operating assets, NOI grew 6% in 2022 driven by an increase in rental rates and a steady recovery in leasing back to pre-pandemic levels. In Ward Village, the company's condo development in Hawaii, the company continues to experience strong condo sales. HHC's tenth and latest luxury condo tower is already 73% pre-sold despite having launched sales in September. During 2022, HHC repurchased approximately 8% of its shares funded by robust cash flow generation and proceeds from non-core asset sales.

HHC remains well insulated from the impact of rising interest rates and volatility in the capital markets. As of Q4 2022, substantially all of the company's debt is either fixed rate or hedged and approximately 87% of debt is due in 2026 or later. HHC recently completed $1 billion in financings, extending its weighted-average debt maturity to six years. Additionally, the company's ability to self-fund future development with cash flow generated internally from land sales and operating assets mitigates its reliance on external financing.

Pershing Square has owned HHC since its spinoff from General Growth Properties in 2010. In 2022, we purchased an additional 2.3 million shares of the company at an average price of $72 per share, which we view as a significant discount to the company's intrinsic value. The recent purchases increase Pershing Square's ownership of the company to 32%. HHC's portfolio of well-located land and high-quality operating assets should deliver resilient long-term value creation throughout various market cycles.

Canadian Pacific Railway ("CP")

CP is a highly attractive, inflation-protected business led by a best-in-class management team that operates in an oligopolistic industry with significant barriers to entry. Together with Kansas City Southern ("KCS"), CP is starting the next chapter of its unique growth story.

On March 15, 2023, CP received regulatory approval from the Surface Transportation Board for its acquisition of KCS. This transformational merger creates the only single-line railroad connecting Canada, the United States, and Mexico, leading to many new transportation options for shippers and greatly enhancing CP-KCS' competitiveness.

As the world moves towards de-globalization, we expect CP-KCS will be a key beneficiary of increased North American nearshoring and USMCA investment. The combined company will also foster a more environmentally friendly and safer North American supply chain by shifting approximately 64,000 trucks annually from the road to rail and expanding CP's industry-leading safety practices. As a result of the many benefits, we believe the KCS acquisition will generate meaningful revenue and cost synergies and drive double-digit earnings growth.

Despite CP's acquisition of KCS and favorable outlook, CP continues to trade at a discount to its intrinsic value and its closest peer, Canadian National. We believe that the successful integration of KCS will be an important catalyst for share price appreciation in the years to come.

Fannie Mae ("FNMA" or "Fannie") and Freddie Mac ("FMCC or "Freddie")

Fannie Mae and Freddie Mac remain valuable perpetual options on the companies' exit from conservatorship. Adverse court rulings have effectively ended shareholder litigation. The Supreme Court denied certiorari in their Court of Federal Claims litigation (the "Takings Cases") on January 9th, 2023, which follows the June 2021 Supreme Court ruling in the Collins litigation that found the Third Amendment to the PSPAs to be authorized under the HERA statute. On March 1, 2023, Pershing Square dropped its remaining claims in the Takings Cases as we did not see a viable path forward.

We continue to believe that the economic and political rationale for Fannie and Freddie's independence remains intact. Both entities continue to build capital through retained earnings which has increased their combined capital to $97 billion approaching a fortress-level of capital. We believe that it is simply a matter of when, not if, that Fannie and Freddie will be released from conservatorship.

Exited Positions:

As discussed in detail in the 2022 Semiannual Financial Statements, we exited our investments in Netflix, Dominos, and Pershing Square Tontine Holdings.

PUBLIC COMPANY ENGAGEMENT SINCE INCEPTION[22]

Long Positions

Wendy's	Sears	Plains Resources	Atlantic Realty Trust	SPI	M	Sears Canada
2004	2004	2004	2004	2004	2005	2005
Borders	Ceridian	Target	GGP	Longs Drugs	EMC²	Landry's Restaurants, Inc.
2006	2006	2007	2008	2008	2008	2009
Howard Hughes	Fortune Brands	Beam	Alexander & Baldwin, Inc.	jcp	Canadian Pacific	Justice Holdings Ltd.
2010	2010	2010	2010	2010	2011	2011
P&G	Platform Specialty Products Corporation	Air Products	FannieMae	Freddie Mac We make home possible	zoetis	Allergan
2012	2013	2013	2013	2013	2014	2014
Valeant Pharmaceuticals North America	Nomad Foods	Mondelēz International	Chipotle	ADP	Starbucks Coffee	United Technologies
2015	2015	2015	2016	2017	2018	2018
Lowe's	Hilton	Agilent Technologies	Starbucks Coffee	Restaurant Brands International	Pershing Square Tontine Holdings	Universal Universal Music Group
2018	2018	2019	2020	2020	2020	2021
Canadian Pacific						
2021						

Short Positions*

mbia Wisdom in Action	Ambac	FannieMae	Freddie Mac We make home possible	FSA	Herbalife
2004	2005	2007	2007	2007	2012

* Short Positions includes options, credit default swaps and other instruments that provide short economic exposure. Pershing Square has no current intention to initiate a public equity short position.

The companies on this page reflect all of the portfolio companies, long and short, as of March 21, 2023, in respect of which (a) Pershing Square or any Pershing Square Fund, as applicable, has designated a representative to the board, filed Schedule 13D, Form 4 or a similar non-US filing or has made a Hart-Scott Rodino filing; or (b) Pershing Square has publicly recommended changes to the company's strategy in an investment-specific white paper, letter or presentation.

Past performance is not a guarantee of future results. All investments involve risk, including the loss of principal. Please see accompanying endnotes and disclaimers on pages 116-119.

Principal Risks and Uncertainties

The Board has ultimate responsibility for the Company's risk management. The Board recognizes that identifying the inherent risks related to the business and operations of the Company and developing an effective strategy to manage and mitigate these risks is crucial to the ongoing viability and success of the Company.

In order to identify these risks, the Board reviews the management of investment risk and the operations of the Investment Manager at each quarterly Board meeting.

In addition, the Board has established a Risk Committee, which at least annually carries out a robust assessment of the existing and emerging risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity.

The Risk Committee's assessment identified 44 existing risks relevant to the Company's business in 2022, including risks arising from the Company's investment activities, structure and operations as well as risks relating to shareholder engagement and regulatory compliance. The Risk Committee has considered the cause of each risk, the likelihood of the risk occurring, and the severity of the impact on the Company if the risk occurs, both before and after taking into account the controls in place to mitigate it. Based on this assessment, the Risk Committee has identified the subset of risks set out below as the principal risks faced by the Company. The discussion of each principal risk below also includes the effect of any applicable emerging risks identified by the Committee.

Risk	Description	Mitigating Factors
Investment Risk	The Company's investments are exposed to the risk of the loss of capital. There is no assurance that the Company's portfolio investments will increase in value and shareholders may lose all, or substantially all, of their investment in the Company. Failure to appropriately integrate risks into investment decisions or to manage risks to which the Company's investments are exposed, including ESG risks such as climate change, may have a material negative impact on the Company's performance.	The Investment Manager is an experienced investor and makes investment decisions in accordance with its investment principles as described in the Company's Investment Policy. The most important criterion in the Investment Manager's investment selection process is its view of the long-term quality of a business, which is informed by, among other things, the Investment Manager's assessment of the potential impact of risks to the business, including ESG risks, and how these risks are managed by its board and management. The Investment Manager assesses risks to the long-term success of the Company's investments by performing extensive research prior to making an investment decision and by ongoing monitoring to deeply understand each business and the industry in which it operates. The Investment Manager's approach to the management of ESG risks as a component of investment risk is further described in its ESG Statement available on the Company's website. The Board receives quarterly updates on the performance of the Company's portfolio positions. The long-term interests of the Investment Manager are aligned with the Company's shareholders as a result of the substantial investment made by the Investment Manager's personnel in the Company.

Risk	Description	Mitigating Factors
Investment Manager's Authority	The Investment Manager has broad investment authority in executing the Company's strategy and may use whatever investment techniques it believes are suitable for the Company, including novel or untested approaches. In addition, the Company's strategy depends on the ability of the Investment Manager to successfully identify attractive investment opportunities. Performance fees may incentivize the Investment Manager to take on excessive risk within the portfolio.	The Board receives a report from the Investment Manager at each quarterly Board meeting, or as necessary, on developments and risks relating to portfolio positions, financial instruments, and the portfolio composition as a whole. The Investment Manager engages in a thorough diligence process for novel investment structures and is an experienced investor. The long-term interests of the Investment Manager are aligned with the Company's shareholders as a result of the substantial investment made by the Investment Manager's personnel in the Company.
Portfolio Concentration	The Investment Manager may invest a significant proportion of the Company's capital in a limited number of investments, including asymmetric hedges, subject to the Company's Investment Policy. Because the Company's portfolio is highly concentrated, it is sensitive to general market fluctuations and its investment results may be volatile. A concentrated portfolio also exacerbates the risk that a loss in any one position could have a material adverse impact on the Company's assets.	The Investment Manager performs extensive research prior to making new investments, along with ongoing monitoring of positions held in the Company's portfolio. The Investment Manager is mindful of sector and industry exposures and other correlations between businesses in which the Company invests. The Board reviews portfolio concentrations and receives a detailed overview of the portfolio positions no less than quarterly, and more frequently as necessary. The Investment Policy prohibits investments by the Company in, or giving exposure to, the securities of any one issuer representing more than 25% of the Company's gross assets (assets on the statement of financial position prior to deduction of liabilities) measured at the time of making the investment.
Engaged Investor	The Investment Manager is an engaged investor and may advocate for managerial, operating and governance changes, which may involve the substantial use of time, resources and capital and litigation by or in opposition to the target company's management, board or shareholders.	The Investment Manager has significant experience engaging constructively with the management of portfolio companies, and management has been supportive of its role in the substantial majority of such engagements. The Investment Manager takes an active role where it believes the commitment of time, energy, and capital is justified in light of the potential reward. The Investment Manager does not currently intend to initiate public equity short positions. The Board is kept informed of and reviews the Investment Managers active engagements with portfolio companies.

Risk	Description	Mitigating Factors
Portfolio Liquidity Risk	The Company may be restricted from trading in certain securities in its portfolio for which the Investment Manager has board representation or for contractual, regulatory or other reasons. Stressful market conditions may prevent the Company from having sufficient liquidity to meet its liabilities when due.	The timing of the Company's significant liquidity events (e.g. bond coupon payments, bond maturities, dividends, etc.) is known well in advance by the Investment Manager. The Investment Manager actively monitors positions with trading restrictions to manage its future liquidity needs. The Investment Manager may sell securities subject to restrictions through block sales, during open trading windows or pursuant to automatic trading plans. When joining the board of an issuer, the Investment Manager typically seeks to receive registration rights to facilitate future sales. The Company invests primarily in large-capitalization securities which are highly liquid under normal market conditions. The Investment Manager actively manages the Company's cash and cash equivalents to ensure, as much as possible, that the Company will have sufficient liquidity under both normal and stressed market conditions.
NAV Discount	The Public Shares of the Company have in the past, currently and may in the future trade at a significant discount to NAV, which may affect demand for the Public Shares.	For a summary of actions the Company has taken to address the discount, please see "Discount to NAV" in the Report of the Directors. The Board monitors the trading activity of the shares on a regular basis and reviews the discount to NAV at its quarterly meetings. The Company has also retained advisers to engage with existing and potential shareholders and to assist in its consideration of potential measures to reduce the discount of share price to NAV.
Regulatory Risk	Regulatory risk can negatively impact the Company in a number of ways. For example, changes in laws or regulations could have a detrimental impact on the Company's ability to freely acquire and dispose of certain securities or deploy certain investment techniques. In addition, failure to comply with laws or regulations can subject the Company to reputational damage and prosecutions.	Prior to initiating an investment, the Investment Manager considers the possible legal and regulatory issues that could impact its ability to achieve its objective with respect to such position. The Investment Manager's legal and compliance team (supported by professional external advisers) monitors regulatory changes on an ongoing basis and informs the Board of emerging risks. The Board and the Investment Manager maintain policies and procedures designed to prevent violations of applicable laws and regulations. The Board is provided with the Investment Manager's compliance manual and periodic updates thereto. The Board is apprised of any regulatory inquiries or material regulatory developments and receives quarterly updates from the Investment Manager's Chief Legal and Compliance Officer.
Key Man Risk	The Investment Manager relies on William Ackman to provide its investment advisory services to the Company as he has ultimate discretion with respect to all investment decisions.	The Investment Manager appointed Ryan Israel, the longest-tenured member of the investment team, as Chief Investment Officer in August 2022. The investment team and other senior personnel of the Investment Manager are experienced, longstanding employees. Each member of the investment team plays a material role in the construction and management of the portfolio. Sound corporate governance principles and segregation of duties are well established and effectively practiced. The Investment Manager maintains a contingency plan to facilitate an orderly transition in the management of the Company's affairs and communications to shareholders upon the occurrence of Mr Ackman's death or permanent disability.

Risk	Description	Mitigating Factors
Tax Risk	The Company may conduct its affairs in a way that places its tax status at risk. Changes to the tax laws of, or practice in a tax jurisdiction affecting the Company could adversely affect the value of the Company's investments and decrease the post-tax returns to shareholders. Investments in the Company may not be tax efficient for certain shareholders. The Investment Manager may make an investment or trading decision which takes into account tax consequences for some investors and/or is tax efficient for some shareholders, but which may result in adverse tax or economic consequences for other shareholders.	The Company aims to avoid adverse tax consequences and engages experienced tax advisors as appropriate.
Market Risk	Adverse changes affecting the global financial markets and economy as a whole may have a material negative impact on the performance of the Company's investments or may cause the prices of financial and derivative instruments in which the Company invests to be highly volatile. The Board and the Investment Manager identified rising interest rates and geopolitical concerns as emerging risks for 2022.	The Investment Manager monitors emerging risks to global markets that may impact the Company's portfolio. While the Company is not committed to maintaining market hedges at any time, the Investment Manager may seek to opportunistically invest in hedges to protect the Company's portfolio against specific macroeconomic risks and capitalize on market volatility. In order to mitigate market-related downside risk, the Company may acquire put options, short market indices or baskets of securities and/or purchase index or single-name credit default swaps, interest rate or currency hedges, or engage in other hedging strategies. The Investment Manager mitigated the emerging risks to the Company's portfolio by initiating new hedges related to long-term interest rates, currencies and energy and by monetizing certain positions to generate liquidity for future investment opportunities.
Cybersecurity	An information security breach results in the disclosure of the Company's sensitive information and/or access to core systems being disrupted or denied.	The Company's sensitive information is primarily maintained by the Investment Manager and the Administrator, which have implemented robust information security controls, frequent testing, periodic assessments and advanced monitoring of cybersecurity threats. The Investment Manager reviews the information security controls of service providers with access to sensitive Company information to ensure appropriate protections are in place. All core operating systems are regularly backed up. The Investment Manager is mindful of the heightened risk of ransomware attacks and has implemented additional monitoring of network traffic and user activity as well as phishing tests. The Cybersecurity Committee of the Investment Manager meets quarterly or more frequently as needed to evaluate cybersecurity risks and to review the effectiveness of Investment Manager's cybersecurity controls. The Board receives quarterly updates on cybersecurity and an annual overview of the Investment Manager's cybersecurity program.

Risk	Description	Mitigating Factors
Service Providers	Key service providers perform inadequately or expose the Company to risk.	The Investment Manager has adopted a vendor supervision policy and performs due diligence on service providers, including information security and business continuity reviews, in accordance with its assessment of their risk to the Company. The Investment Manager monitors key service providers through frequent contact and reports to the Board as needed. The Board advises on the engagement of service providers as appropriate and the Management Engagement Committee reviews key service providers at least annually.
Insurance	The Company is liable for claims due to the failure of an insurance underwriter or inadequate insurance coverage.	The Company and the Investment Manager maintain insurance policies with reputable insurance underwriters. Insurance arrangements and limits are reviewed annually by the Board to ensure they remain appropriate.

Directors

ANNE FARLOW

Independent Director
Chairman of the Board
Chairman of the Nomination and
Management Engagement Committees

Ms Farlow, a Hong Kong resident, has been an independent Director of the Company since October 2014 and is an experienced private equity investment professional and non-executive director. She is a non-executive director of BlueRiver Acquisition Corp., listed on the New York Stock Exchange, and Caledonia Investments plc, listed on the London Stock Exchange. She has been an active investor in and non-executive director of various unlisted companies since 2005.

From 2000 to 2005, she was a director of Providence Equity Partners in London, and was one of the partners responsible for investing a $2.8 billion fund in telecom and media companies in Europe.

From 1992 to 2000, she was a director of Electra Partners, and was based in London from 1992 to 1996 and Hong Kong from 1996 to 2000. Prior to working in private equity, Ms Farlow worked as a banker for Morgan Stanley in New York, and as a management consultant for Bain and Company in London, Sydney and Jakarta.

Ms Farlow graduated from Cambridge University with a MA in engineering in 1986 and a MEng in chemical engineering in 1987. She obtained an MBA from Harvard Business School in 1991.

NICHOLAS BOTTA

Mr Botta, a U.S. resident, has been a Director of the Company since March 2012. He is also a director of Pershing Square International, Ltd. Until March 1, 2017, when Mr Botta became President of the Investment Manager, he was the Investment Manager's Chief Financial Officer.

He also worked as controller and then as Chief Financial Officer of Gotham Partners from 2000 to 2003. From 1997 to 2000, Mr Botta was a senior auditor at Deloitte & Touche in its securities group. He was also a senior accountant from 1995 to 1997 for Richard A. Eisner & Co., LLP.

Mr Botta received his Bachelor of Accounting from Bernard Baruch College in 1996. Mr Botta is a certified public accountant.

Directors

BRONWYN CURTIS, OBE

Senior Independent Director

Chairman of the Remuneration Committee

Ms Curtis, a UK resident, has been an independent Director of the Company since April 2018. Ms Curtis is a global financial economist who has held senior executive positions in both the financial and media sectors. She currently serves as a non-executive director of a number of institutions including the UK Office for Budget Responsibility, BH Macro, Mercator Media, TwentyFour Income Fund, and Scottish American Investment Co.

She has also been a Governor at the London School of Economics. Ms Curtis held several senior positions at HSBC from 2008 to 2012 where she managed the global research operations and portfolio including the economic, fixed income, foreign exchange and equity products. From 1999 to 2006, Ms Curtis was the Head of European Broadcast at Bloomberg LP.

Prior to joining Bloomberg, she held positions at Nomura International and Deutsche Bank and worked as a consultant for the World Bank and the UN. Ms Curtis has an honours degree in Economics from LaTrobe University, Australia and a Masters in Economics from the London School of Economics.

ANDREW HENTON

Independent Director

Chairman of the Audit and Risk Committees

Mr Henton, a Guernsey resident, has been an independent director of the Company since September 2020. Mr Henton has wide board experience of both regulated and non-regulated businesses (including listed funds) in both executive and non-executive capacities. He currently serves on the boards of several private entities. He is chair of the board of Butterfield Bank Jersey Limited and SW7 Holdings Limited and is a board member and audit chair of Butterfield Bank Guernsey Limited. He serves as a member of the board of TaDaweb S.A., Longview Partners (Guernsey) Limited and Close Brothers Asset Management (Guernsey) Limited. He also previously served as the chair of the board of Boussard & Gavaudan Holding Limited, a listed closed-ended investment company.

Between 2002 and 2011, Mr Henton held various positions at Close Brothers Group plc, latterly acting as Head of Offshore Businesses. During this time, he led the creation of Close Private Bank, which provided asset management, banking, and administration services to high net worth and institutional clients. Mr Henton previously spent four years working in HSBC's Corporate Finance division and three years as a Fund Manager with Baring Private Equity Partners.

He graduated from Oxford University in 1991 and subsequently qualified as a Chartered Accountant with PricewaterhouseCoopers in London.

Directors

TOPE LAWANI

Independent Director

Mr Lawani, a Nigerian national, has been an independent Director of the Company since April 2021. Mr Lawani is a co-founder and managing partner of Helios Investment Partners and co-CEO and a director of Helios Fairfax Partners Corp. Prior to forming Helios, he was a principal in the San Francisco and London offices of TPG Capital. He began his career as a mergers & acquisitions and corporate development analyst at the Walt Disney Company.

Mr Lawani serves as a non-executive director of Helios Towers plc, Vivo Energy plc, Thunes, Axxela Ltd. Mr Lawani is a member of the MIT Corporation (Massachusetts Institute of Technology's board of trustees), the MIT School of Engineering dean's advisory council, the Harvard Law School dean's advisory board and the international board of The END Fund. He previously served as a non-executive director of Equity Group Holdings Plc, Emerging Markets Private Equity Association (EMPEA), First City Monument Bank Plc, Bayport Management and Millicom International Cellular. Mr Lawani also previously served as a board observer of the board of directors of J. Crew, Inc. and Burger King Corp, and on the overseers' visiting committee of the Harvard Business School.

Mr Lawani received a B.S. in chemical engineering with a minor in economics from the Massachusetts Institute of Technology, a juris doctorate from Harvard Law School and an MBA from Harvard Business School. He is fluent in Yoruba, a widely spoken West African language.

RUPERT MORLEY

Independent Director

Mr Morley, a UK resident, has been an independent Director of the Company since April 2021. Mr Morley is the chairman of the board of Bremont Watch Company and a trustee of Comic Relief and chair of its investment advisory group. Mr Morley previously served as CEO of Sterling Relocation, Hamptons estate agency and Propertyfinder.co.uk and managing director of Swan Hellenic Cruises. He also previously served as operations director of Brierley Investments Limited, a non-executive director of Thistle Hotels, English Welsh & Scottish Railways and Graham-Field Health Products and president of the Fédération Internationale des Déménageurs Internationaux (FIDI).

He has a degree in economics from Cambridge University and an MBA from Harvard Business School where he was a Kennedy Scholar.

Directors

TRACY PALANDJIAN

Independent Director

Ms Palandjian, a U.S. resident, has been an independent Director of the Company since April 2021. Ms Palandjian is co-founder and CEO of Social Finance, Inc., a non-profit organization focused on developing and managing investments that generate social impact and financial return. Prior to Social Finance, Ms Palandjian was a managing director for eleven years at The Parthenon Group, a global strategy consulting firm, where she established and led the Nonprofit Practice. She also worked at Wellington Management Co. and McKinsey & Co.

Ms Palandjian is a fellow of the Harvard Corporation and a member of the American Academy of Arts and Sciences. She is co-author of "Investing for Impact: Case Studies Across Asset Classes," and serves as vice chair of the U.S. Impact Investing Alliance and vice chair of the Global Steering Group on Impact Investing. She is an independent director of the Affiliated Managers Group where she is on the compensation and nominating & governance committees, a trustee at the Surdna Foundation where she chairs the investment committee, and a director at the Boston Foundation. Previously, Ms Palandjian served as board chair of Facing History and Ourselves, co-chair of Robert F. Kennedy Human Rights, and trustee of Mass General Brigham and Milton Academy. Ms Palandjian is a 2019 recipient of the Harvard Business School Alumni Achievement Award, the school's highest honor.

A native of Hong Kong, Ms Palandjian is fluent in Cantonese and Mandarin. She graduated from Harvard College with a B.A. magna cum laude in economics and holds an M.B.A. with high distinction from Harvard Business School, where she was a Baker Scholar.

Report of the Directors

We present the Annual Report and Financial Statements of the Company for the year ended December 31, 2022.

PRINCIPAL ACTIVITY

The Company was incorporated in Guernsey, Channel Islands on February 2, 2012. It became a registered open-ended investment scheme under Guernsey law on June 27, 2012, and commenced operations on December 31, 2012. On October 1, 2014, the Guernsey Financial Services Commission ("GFSC") approved the conversion of the Company into a registered closed-ended investment scheme.

Please refer to Note 11 for further information on the various classes of shares (any reference to "Note" herein shall refer to the Notes to the Financial Statements).

INVESTMENT POLICY

The Company's investment objective is to preserve capital and seek maximum, long-term capital appreciation commensurate with reasonable risk. For these purposes, risk is defined as the probability of permanent loss of capital, rather than price volatility.

In its value approach to investing, the Company seeks to invest in long (and occasionally short) investment opportunities that the Investment Manager believes exhibit significant valuation discrepancies between current trading prices and intrinsic business (or net asset) value, often with a catalyst for value recognition.

The Investment Manager may also seek short sale investments that offer absolute return opportunities. In addition, the Investment Manager may short individual securities to hedge or reduce long exposures.

The Company will not make an initial investment in the equity of companies whose securities are not publicly traded (i.e., private equity) but may invest in privately placed securities of public issuers and publicly traded securities of private issuers. Notwithstanding the foregoing, it is possible that, in limited circumstances, public companies in which the Company has invested may later be taken private, and we may make additional investments in the equity or debt of such companies. The Company may make investments in the debt securities of a private company, provided that there is an observable market price for such debt securities.

The Company may invest in long and short positions in equity or debt securities of U.S. and non-U.S. issuers (including securities convertible into equity or debt securities); distressed securities, rights, options and warrants; bonds, notes and equity and debt indices; swaps (including equity, foreign exchange, interest rate, commodity and credit default swaps), swaptions, and other derivatives; instruments such as futures contracts, foreign currency, forward contracts on stock indices and structured equity or fixed-income products (including without limitation, asset-backed securities, mortgage-backed securities, mezzanine loans, commercial loans, mortgages and bank debt); exchange traded funds and any other financial instruments the Investment Manager believes will achieve the Company's investment objective. The Company may invest in securities sold pursuant to initial public offerings. Investments in options on financial indices may be used to establish or increase long or short positions or to hedge the Company's investments. In order to mitigate market-related downside risk, the Company may acquire put options, short market indices, baskets of securities and/or purchase credit default swaps, but is not committed to maintaining market hedges at any time.

A substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprised of liquid, listed mid-to-large capitalization North American companies.

So long as the Company relies on certain exemptions from investment company status under the U.S. Investment Company Act of 1940, as amended, the Company will not purchase more than 3% of the outstanding voting securities of any SEC-registered investment company. The Company will not invest more than 10%, in aggregate, of its total assets in other UK-listed closed-ended investment funds, unless such other closed-ended investment funds themselves have published investment policies to invest no more than 15% of their total assets in other UK-listed closed-ended investment funds. In addition, investments by the Company in, or giving exposure to, the securities of any one issuer may not, in the aggregate, represent more than 25% of the Company's gross assets, measured at the time the investment is made.

The Company generally implements substantially similar investment objectives, policies and strategies as the other investment funds managed by the Investment Manager and its affiliates. Allocation of investment opportunities and rebalancing or internal "cross" transactions are typically made on a pro-rata basis. However, the Investment Manager may abstain from effecting a cross transaction or only effect a partial cross transaction if it determines, in its sole discretion, that a cross transaction, or a portion thereof, is not in the best interests of a fund (for example, because a security or financial instrument is held by such fund in the appropriate ratio relative to its adjusted net asset value, or because a security or financial instrument should be divested, in whole or in part, by the other funds) or as a result of tax, regulatory, risk or other considerations.

The Company may hold its assets in cash, cash equivalents and/or U.S. Treasurys pending the identification of new investment opportunities by the Investment Manager. There is no limit on the amount of the Company's assets that may be held in cash or cash equivalent investments at any time.

The Board has adopted a policy pursuant to which the borrowing ratio of the Company, defined for this purpose as the ratio of the aggregate principal amount of all borrowed money (including margin loans) to total assets (pursuant to the latest annual or semi-annual Financial Statements of the Company), shall in no event exceed 50% at the time of incurrence of any borrowing or its drawdown (e.g. a borrowing under a line of credit). The Board may amend the Company's borrowing policy from time to time, although the Board may not increase or decrease the Company's maximum borrowing ratio without the prior consent of the Investment Manager. This borrowing policy does not apply to and does not limit the leverage inherent in the use of derivative instruments.

The Company may use derivatives, including equity options, in order to obtain security-specific, non-recourse leverage in an effort to reduce the capital commitment to a specific investment, while potentially enhancing the returns on the capital invested in that investment.

The Company may also use derivatives, such as equity and credit derivatives and put options, to achieve a synthetic short position in a company without exposing the Company to some of the typical risks of short selling, which include the possibility of unlimited losses and the risks associated with maintaining a stock borrow. The Company generally does not use total return swaps to obtain leverage, but rather to manage regulatory, tax, legal or other issues.

Material changes to the Company's Investment Policy require approval by a special resolution of the holders of Public Shares.

RESULTS AND NAV

The Company had a loss attributable to all shareholders for the year ended December 31, 2022 of $1.17 billion (2021: gain of $2.44 billion). The net assets attributable to all shareholders at December 31, 2022 were $9.88 billion (2021: $11.41 billion). For the Company's performance returns, please see the Company Performance and Financial Highlights sections on pages 2 and 112, respectively.

The Company announces the weekly and monthly NAV and investment performance of its Public Shares to the Euronext Amsterdam and LSE exchanges and publishes this information on the Company's website (www.pershingsquareholdings.com). In addition, transparency reports created by the Administrator are published on the Company's website.

The Company released semi-annual financial statements on August 19, 2022 relating to the first half of 2022. The Company intends to release semi-annual financial statements for the first half of 2023 in the third quarter.

DISCOUNT TO NAV

The Board monitors the discount to NAV at which the Company's Public Shares trade closely and seeks opportunities to narrow it. Despite annualized net returns of 25.1% over the past five years, the discount widened by 4.9%

over the course of 2022 from 28.3% at the beginning of the year to 33.2% as of December 31, 2022. The Board continues to believe that the Public Shares are undervalued and that by increasing investor awareness of the Company's long-term investment performance, the associated incremental demand for Public Shares should narrow the discount over time.

The Company has taken a variety of actions to better position the Public Shares as an attractive investment opportunity to potential investors in the UK and internationally, including adding a listing on the Main Market of the LSE (2017), adding a U.S. Dollar denominated LSE quotation (2018), and initiating a quarterly dividend (2019). As a result of these actions, and the Company's admission to the FTSE 100 in December 2020, the visibility of the Company has continued to grow over time. The Company engaged Frostrow in March 2021 to drive further growth by providing strategic marketing advice and shareholder insights and deepening the Company's engagement with UK-based wealth managers, retail/adviser platforms and institutional investors.

In January 2022, the Company moved to the North American investment sector of the Association of Investment Companies from the Hedge Fund sector, which more accurately reflects the Company's investment focus. The Company also increased its quarterly dividend for the second, third and fourth quarters of 2022, and amended its dividend policy such that dividends in future years will increase with the Company's NAV. The Company's 2023 quarterly dividend increased to $0.1307 per Public Share under the new policy. Further details regarding the Company's dividend policy are in "Dividends" on page 35.

The Board also evaluates whether the discount provides opportunities for accretive share repurchases. After examining a number of factors with the Investment Manager (including the Company's available unencumbered cash and the likelihood of its deployment into a new investment, the price of portfolio holdings relative to their intrinsic values, the Company's leverage, the discount to NAV at which the shares would be repurchased and the impact further reductions would have on the Company's free float) the Company announced share buyback programs in May and July of 2022 (the "2022 Share Buyback Programs") of $100 million or for up to 10 million of the Company's outstanding Public Shares and $200 million or for up to 20 million of the Company's outstanding Public Shares, respectively. As of December 31, 2022, 8,262,440 Public shares had been repurchased for $263.9 million at an average discount of 32.9%, representing 88.0% of the 2022 Share Buyback Programs. Since the Company's first buyback program in May 2017, including the Company's May 2018 tender offer, the Company has repurchased a total of 59,096,679 Public Shares for $1.1 billion at an average discount of 28.1% through December 31, 2022.

The Company intends to propose that shareholders renew the Company's general share buyback authority at the Company's 2023 Annual General Meeting to allow the Company to engage in share buybacks up to a maximum of 14.99% of the Public Shares outstanding. If approved by shareholders, the Board may decide to utilize the share buyback authority to make further acquisitions of Public Shares in the market depending on the factors described above.

The Board continues to be satisfied that the interests of PSH shareholders and the Investment Manager are closely aligned. Affiliates of the Investment Manager beneficially owned approximately 26% of the Company at December 31, 2022 (December 31, 2021: 25%). The Board believes the investment in the Company by the Investment Manager's team has created an even stronger incentive for the Investment Manager to generate positive investment performance, which the Board believes will increase the Company's share price and reduce the discount to NAV over the long term.

BONDS IN ISSUE

On July 25, 2019, the Company closed on a fully committed private placement of $400 million Senior Notes with a coupon rate of 4.95%, maturing on July 15, 2039 (the "2039 Bonds").

On August 26, 2020, the Company closed on a fully committed private placement of $200 million of Senior Notes with a coupon rate of 3.00%, maturing on July 15, 2032 (the "2032 Bonds").

On November 2, 2020, the Company issued $500 million of Senior Notes maturing on November 15, 2030 (the "2030 Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued $700 million of Senior Notes maturing on October 1, 2031 (the "2031 Bonds"). The 2031 Bonds were issued at 99.670% of par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued €500 million of Senior Notes maturing on October 1, 2027 (the "2027 Bonds" and together with the 2039 Bonds, 2032 Bonds, 2030 Bonds and 2031 Bonds, the "Outstanding Bonds"). The 2027 Bonds were issued at 99.869% of par with a coupon rate of 1.375% per annum.

The Outstanding Bonds rank equally in right of payment and contain substantially the same covenants. The Outstanding Bonds' coupons are paid semi-annually, with the exception of the 2027 Bonds, which are paid annually. The Outstanding Bonds are listed on Euronext Dublin with a symbol of PSHNA.

On June 26, 2015, the Company closed on the offering of $1 billion Senior Notes that matured on July 15, 2022 (the "2022 Bonds" and together with the Outstanding Bonds, the "Bonds"). On June 15, 2022, the Company redeemed all outstanding 2022 Bonds. Following the redemption, the 2022 Bonds were retired.

DIVIDENDS

On March 28, 2022, the Company announced that it had increased its quarterly dividend for the second, third and fourth quarters of 2022 by 25% to $0.125 per Public Share (previously $0.10 per Public Share). In 2023 and future years, the Company's intended policy is to pay quarterly dividends in an amount determined by multiplying the Company's average NAV per Public Share for all trading days in December of the prior year by 0.25%, subject to a cap on the total dividends paid for the year of 125% of the average of the total dividends paid in each of the previous three years. Once the dividend is set for a specific year, the Company does not intend to decrease the dividend in future years, even if the NAV per Public Share were to decline. On January 31, 2023, the Company announced a quarterly dividend of $0.1307 per Public Share for 2023.

The Special Voting Share (see Note 11) receives a proportionate quarterly dividend based on its respective net asset value per share, which is contributed to charity. Dividends will be paid in U.S. Dollars unless a shareholder elects to be paid in GBP. Shareholders may also elect to reinvest cash dividends into Public Shares through a dividend reinvestment program ("DRIP") administered by an affiliate of Link Market Services Limited ("Link"), the Company's registrar. Further information regarding the dividend, including the anticipated 2023 dividend payment schedule and how to make these elections, is available at www.pershingsquareholdings.com/psh-dividend-information.

Each dividend is subject to a determination that, after the payment of the dividend, the Company will meet solvency requirements under Guernsey law, and that, in accordance with the indentures governing the Bonds, the Company's total indebtedness will be less than one third of the Company's total capital. The Board may determine to modify or cease paying the dividend in the future.

In the year ended December 31, 2022, the Company paid dividends of $93,271,012, a net increase of $13,620,116 from the amount it paid in 2021 due to the increase in the dividend per share beginning in the second quarter of 2022.

DIRECTORS

The present members of the Board, all of whom are non-executive Directors, are listed on pages 28-31. Further information regarding the Board is provided in the Corporate Governance Report.

The Company maintains directors' and officers' liability insurance in relation to the actions of the Directors on behalf of the Company. Information regarding Directors' remuneration and ownership in the Company is set out in the Directors' Remuneration Report on pages 42-43.

MATERIAL CONTRACTS

The Company's material contracts are with:

- PSCM, the Investment Manager to the Company. PSCM receives a quarterly management fee and may receive a performance fee from the Company as described more fully in Note 15.
- Northern Trust International Fund Administration Services (Guernsey) Limited ("Northern Trust"), the Company's Administrator and Company Secretary. The Administrator provides the Company with administration services, including, among other things, the computation of the Company's NAV and the maintenance of the Company's accounting and statutory records.
- Link, the Company's registrar. The Company has also engaged an affiliate of Link to administer the Company's DRIP.
- Goldman Sachs & Co. LLC and UBS Securities LLC, the Company's Prime Brokers and custodians.
- Jefferies International Limited ("Jefferies"), the Company's corporate broker and buyback agent. Jefferies also previously served as the adviser for the Company's share tender offer and was the Company's sponsor in connection with its LSE listing.
- Frostrow Capital LLC ("Frostrow"), the Company's UK investor relations advisor.

Although the Investment Manager is authorized to engage service providers on behalf of the Company, the Board is advised of and given the opportunity to review and execute material contracts.

The Board and, where appropriate, the Investment Manager monitor the performance of these service providers throughout the year, and the Management Engagement Committee conducts a formal review annually. For further details of the review conducted by the Management Engagement Committee of these and other service providers to the Company, please see "Management Engagement Committee" in the Corporate Governance Report.

The Board has reviewed the recommendations of the Management Engagement Committee with respect to the engagement of the Investment Manager and the Company's other material service providers listed above, and agrees with the Committee's conclusion that their continued appointment is in the interests of the Company's shareholders as a whole. The Board will continue to monitor their performance closely.

ENVIRONMENTAL, EMPLOYEE, SOCIAL AND COMMUNITY ISSUES

As an investment company without employees or physical operations, the Company does not directly engage in activities that impact the environment or the community. Although the Board has delegated the responsibility for making individual investment decisions to the Investment Manager, the Board has encouraged the Investment Manager to consider ESG best practices, including the risks and impact of climate change, within its own organization, and to actively engage on these issues with its portfolio companies when appropriate.

As further described in the Investment Manager's ESG Statement, available on the Company's website (www.pershingsquareholdings.com), the Investment Manager has integrated ESG into its investment selection, risk management and stewardship processes, and has embedded ESG considerations into its operations as a firm. The Investment Manager analyzes the exposure of a business to ESG risks and its approach to ESG at the time of its initial investment and as part of its ongoing stewardship by performing extensive diligence on the business, the industry sector and the context in which the business operates. A business that has not addressed material ESG risks or that has unsustainable business practices will generally not meet the Investment Manager's investment criteria unless the Investment Manager's intent is to use its influence to actively address these issues.

The Investment Manager provides a detailed portfolio review to the Board at each quarterly Board meeting and discusses any material ESG issues at each portfolio company as part of its report. In addition, the Investment Manager's Portfolio Update on pages 16-21 incorporates material ESG-related developments as appropriate. The Board has been pleased to note that all of the Company's portfolio companies have addressed ESG issues and sustainability as part of their strategic planning, including by adopting ambitious environmental stewardship programs, personnel initiatives, public advocacy and by measuring their progress toward sustainability targets. Links to the ESG practices of each portfolio company are available in the Investment Manager's ESG Statement. The Board will continue to monitor the Investment Manager's integration of ESG issues into investment decisions to ensure its approach promotes the long-term success of the Company.

The Investment Manager has implemented environmentally sustainable practices throughout its office space, reducing office-related carbon emissions by 13% in 2022, and purchased carbon credits for the emissions it was unable to eliminate.

In addition, the Investment Manager continues to add diverse personnel to its team and, under the direction of its Diversity and Inclusion Committee, seeks meaningful ways to contribute to charitable and community projects.

MODERN SLAVERY ACT 2015

Although the Company does not fall within the scope of the UK Modern Slavery Act 2015, it has assessed its supply chains for potential sources of modern slavery or human trafficking. The Company has minimal contact with countries and sectors most likely to have a risk of modern slavery or human trafficking. The Company's major suppliers are providers of professional services, including the Investment Manager, Administrator, auditor and other legal and financial advisors described in "Material Contracts." These suppliers operate in the United States, United Kingdom, Europe, and other countries that are generally regarded as low risk. Prior to engaging a supplier with higher-risk attributes, the Company will perform additional due diligence on the supplier's employment practices to ensure that it is not engaged in modern slavery or human trafficking.

SECTION 172(1) STATEMENT

The Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to its stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006, in the decisions taken during the year ended December 31, 2022 as described in this Report of the Directors.

The following are some examples of how the Directors have discharged their section 172 duties during the year:

- The Board has identified shareholders as key stakeholders and actively sought to engage with them. As a closed-ended investment company, PSH has no employees or operations, and its shareholders are both customers and investors. The Board's approach to engagement with its stakeholders is discussed further in "Shareholder Engagement."
- The Board has maintained close relationships with its major suppliers of services – the Investment Manager, Administrator, auditor, and its other professional service providers.
- The 2022 Share Buyback Programs authorized by the Board permitted the Company to repurchase 8,262,440 Public Shares in 2022 at an average discount of 32.9% for the benefit of shareholders.
- The Board adopted a progressive dividend policy, tying dividends for 2023 and future years to increases in the Company's NAV. The Company's new dividend policy is described in "Dividends" on page 35.
- The Company redeemed the outstanding portion of its 5.500% Senior Notes due July 2022 and the Board continued to seek opportunities to responsibly manage and ladder the maturities of the Company's debt obligations at attractive interest rates.
- The Board carefully monitored the Investment Manager's succession planning and is confident that the Investment

Manager's appointment of Ryan Israel as Chief Investment Officer in August 2022 will contribute to the Company's long-term success.

- The Board continues to monitor the Investment Manager's approach to ESG issues to ensure that the Company's investment activities are consistent with the long-term success of the Company and for the benefit of the Company's stakeholders.

Further details regarding the processes by which the Board has considered the requirements of 172(1) in its decision-making are included in "The Board's Processes" in the Corporate Governance Report.

SHAREHOLDER ENGAGEMENT

As the Company's shareholders are also its customers, the Board recognizes the importance of soliciting shareholder feedback to understand shareholders' issues and to address their concerns regarding the Company. The Company's return to an in-person format for the 2023 investor event provided the Chairman and Directors an opportunity to meet shareholders. The Chairman also met with shareholders in May and September 2022. The Chairman and other Directors intend to continue meeting with shareholders as their schedules permit.

The Board regularly assesses the nature and quality of its and the Investment Manager's engagement with shareholders. To ensure the Board remains apprised of shareholder requests and feedback, the Board and the Investment Manager have adopted procedures governing interactions with shareholders. In addition, Company announcements, other than routine or portfolio-related announcements, are approved by the Chairman and the Senior Independent Director prior to their release. The Board receives quarterly updates from the Investment Manager regarding investor contact during the quarter, which include, among other items, a summary of common discussion topics, selected meeting highlights, and metrics regarding the number, type, location and investment timeframe of shareholders contacted.

To understand the views of the Company's key stakeholders, and to assist the Board's consideration of shareholder interests, the Investment Manager maintains regular contact with shareholders via quarterly communications, including semi-annual investor calls and letters to shareholders, the annual investor presentation, the publication of weekly and monthly NAV estimates, and on an ad-hoc basis when queries from shareholders arise. In addition, a representative of the investor relations team is present for the substantial majority of board discussions regarding key decisions to be made by the Board.

The Board notes that during the course of 2022, in addition to the resumption of in-person meetings, the Investment Manager took advantage of the efficiency and environmental sustainability of connecting with shareholders virtually. This allowed the Investment Manager to conduct hundreds of shareholder calls and meetings, thereby speaking with holders of a majority of the Company's Public Shares, including several of the Company's largest shareholders, representing a variety of regions, types, and investment strategies.

Jefferies continued to act as corporate broker to the Company during 2022 to support communications with shareholders and advise the Company on shareholder sentiment. Since March 2021, the Company has also engaged Frostrow to provide investor relations advisory services that are focused on raising the Company's UK profile and cultivating demand from UK-based wealth managers, retail/adviser platforms and institutional investors. Frostrow's activities have included advising on the Company's marketing strategy, identifying and liaising with the target market, organizing regular one-to-one investor meetings around the UK, sharing shareholder insights, and maintaining contact with investment company analysts and data providers. Subsequent to the engagement of Frostrow, the Company has seen increases in holdings across wealth management, retail/adviser platform and institutional categories. Investor feedback from meetings conducted by Jefferies and Frostrow is reported to the Board on a regular basis.

The Company's 2023 annual investor event was held in-person and webcast simultaneously on February 9, 2023, providing greater accessibility to shareholders unable to attend in person and eliminating the cost of travel. As a result, shareholders representing approximately 55% of NAV (excluding affiliate ownership) were able to attend. On a more formal basis, the Directors reported to shareholders throughout the year with the publication of the annual and semi-annual reports.

Shareholders may contact the Directors in writing at the Company's registered office or by email at PSHDirectors@ntrs.com.

GOING CONCERN

Risks associated with the Company's investment activities, together with existing and emerging risks likely to affect its future development, performance and position are set out in Principal Risks and Uncertainties on pages 23-27 and in Note 13.

The Board has considered the financial prospects of the Company through April 30, 2024 and made an assessment of the Company's ability to continue as a going concern. In assessing the going concern status of the Company, the Directors have considered:

- The Company's net assets attributable to all shareholders at December 31, 2022 of $9,879,933,721;
- The liquidity of the Company's assets (at December 31, 2022, 88.6% of its assets comprised of cash and cash equivalents and Level 1 assets);
- The Company's total indebtedness to total capital ratio of 19.4% at December 31, 2022;
- The liquidity of the Company's assets relative to the future interest and redemption obligations of the Outstanding Bonds; and
- The low level of fixed operating expenses relative to net assets, such expenses approximating 2.7% for the year ended December 31, 2022.

After making reasonable enquiries, and assessing all data relating to the Company's liquidity, particularly its cash holdings and Level 1 assets, the Directors and the Investment Manager believe the Company is well placed to manage its business risks. Furthermore, the Directors confirm they have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due for the foreseeable future and do not consider there to be any threat to the going concern status of the Company. For these reasons, the Directors have adopted the going concern basis in preparing the Financial Statements.

VIABILITY STATEMENT

In accordance with Principle 33 of the Association of Investment Companies ("AIC") Code, the Board has carefully considered the existing and emerging risks set out in Principal Risks and Uncertainties alongside the measures in place to mitigate those risks — both at the Investment Manager level and the Company level. It has determined that those controls are sufficient such that the risks will not likely impair the long-term viability of the business. The Board has made this assessment with respect to the upcoming three-year period ending December 31, 2025.

The Board has also evaluated the sustainability of the Company's business model, taking into account its investment objectives, sources of capital and strategy. The Board believes the Company's closed-ended structure and Investment Policy position it to invest over the long-term, and provide the Company with the flexibility to meet its investment objective in a variety of market conditions. In particular, the Board notes the Investment Manager's use of interest rate swaptions as a hedge against inflation and rising interest rates, which partially offset declines in the Company's equity portfolio.

The Board has also evaluated quantitative data as of December 31, 2022 including net assets attributable to shareholders, the liquidity of the Company's assets, and the Company's total liabilities. It has also considered projections of expected net cash outflows for the next three years. The Board believes a three-year timeframe is appropriate given the general business conditions affecting the Company's portfolio positions, the typical duration of equity positions taken by the Company and the regulatory environment in which the Company operates, which is undergoing constant change. The Board is confident these projections can be relied upon to form a conclusion as to the viability of the Company with a reasonable degree of accuracy over the three-year timeframe.

On the basis of these projections and the considerations described above, the Board has determined that the Company will remain viable for the upcoming three-year period. This assessment is conducted annually by the Board.

KEY INFORMATION DOCUMENT

The Company has prepared a standardized Key Information Document ("KID") conforming to the requirements of the EU Packaged Retail and Insurance-Based Investment Products Regulation. The KID is updated at least annually and is available on the Company's website (www.pershingsquareholdings.com/company-documents).

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company as at the end of the financial year, and of the profit or loss of the Company for that year. In preparing those Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the Financial Statements comply with the Companies (Guernsey) Law, 2008, Protection of Investors (Bailiwick of Guernsey) Law, 2020, the listing requirements of Euronext Amsterdam and the UK Listing Authority, the Company's governing documents and applicable regulations under English and Dutch law. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors confirms to the best of her or his knowledge and belief that:

- the Financial Statements, prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties faced.

The Directors further confirm that they have complied with the above requirements, and that this Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

DISCLOSURE OF INFORMATION TO THE AUDITOR

So far as each of the Directors is aware, there is no information relevant to the audit of which the Company's auditor is unaware, and each has taken all steps he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board.

/s/ Anne Farlow	/s/ Andrew Henton
Anne Farlow	Andrew Henton
Chairman of the Board	Chairman of the Audit Committee
March 28, 2023	March 28, 2023

Directors' Remuneration Report

The Board aims to compensate the Directors in a manner that promotes the strategy and long-term success of the Company, and has formed a Remuneration Committee to ensure that the Company maintains fair and appropriate remuneration policies and controls. The Remuneration Committee has been delegated responsibility for determining the remuneration of the Chairman and recommending remuneration for the non-executive Directors of the Company.

The Remuneration Committee consists of Ms Curtis, Mr Morley and Ms Palandjian. Ms Curtis is the Chairman of the Remuneration Committee. The Committee is encouraged to exercise independent judgment when considering the remuneration of each Director.

The Directors, other than Mr Botta, are all independent non-executive Directors. The Directors are the only officers of the Company. Each Director has executed an appointment letter setting forth his or her responsibilities. Copies of the Directors' letters of appointment are available upon request from the Company Secretary, and will be available for inspection at the Annual General Meeting.

DIRECTOR REMUNERATION POLICY

The Directors shall be paid such remuneration for their services as determined by the Board, save that, unless otherwise approved by ordinary resolution, each Director's remuneration shall not exceed £150,000 per annum, the limit set in the Company's Articles of Incorporation. All Directors are entitled to be reimbursed for all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. At the recommendation of the Remuneration Committee, the Board has adopted a travel and expense policy to ensure business expenditures are appropriate and cost-effective.

The Committee, in making its recommendations, will take into account the Company's and each Director's performance, the time commitments and responsibilities of the Directors, the level of skill and experience of each Director, overall market conditions, remuneration paid by companies of similar size and complexity, and any other factors the Committee determines are relevant. The Committee may recommend that additional remuneration be paid, from time to time, on a time spent basis to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company. The Committee's review may not result in any changes to previous recommendations to the Board.

Only Directors unaffiliated with the Investment Manager will receive fees for their services. Directors are not eligible for bonuses, share options, long-term incentive schemes or other performance-related benefits. No Director will be involved in deciding their own remuneration.

The Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities arising out of any claims made against them in connection with the performance of their duties as a Director of the Company.

All Directors are required to submit themselves to re-election by shareholders at each annual general meeting in accordance with the Articles of Incorporation of the Company. On termination of the appointment, Directors are entitled to fees accrued through the date of termination, together with reimbursement of expenses incurred prior to that date. The Company does not pay any remuneration to the Directors for loss of office.

ANNUAL REPORT ON REMUNERATION

Service Contracts Obligations and Payment on Loss of Office

No Director has a service contract with the Company and, as such, no Director is entitled to compensation payments upon termination of their appointment or loss of office.

Total Remuneration Paid to Each Director

The total remuneration of the Directors for the year ended December 31, 2022 was:

	2022	2021
Anne Farlow	£125,000	£125,000
Richard Battey[1]	–	£24,519
Nicholas Botta	–	–
Bronwyn Curtis	£75,000	£73,379
Andrew Henton	£75,000	£71,758
Tope Lawani[2]	£65,000	£43,929
Rupert Morley[2]	£70,000	£47,308
Tracy Palandjian[2]	£65,000	£43,929
Richard Wohanka[1]	–	£21,250

1 Retired April 28, 2021
2 Elected April 28, 2021

The Directors will receive the following remuneration for 2023:

Chairman of the Board	£125,000
Chairman of the Audit Committee	£75,000
Senior Independent Director	£70,000
Non-Executive Directors	£65,000

The Chairman of the Board, the Chairman of the Audit Committee and the Senior Independent Director receive higher fees to reflect the additional responsibilities required of these roles. Members of the Audit Committee receive an additional £5,000 for their oversight of the audit process. Mr Botta does not receive a fee for his services as a Director.

The Remuneration Committee reviewed the Director's remuneration in November 2022. The Committee determined that the fees paid to the Directors in 2022 were within the range of the fees received by non-executive directors of other LSE-listed investment companies and appropriately reflected the complexity of the Board's work. No changes to the Directors' 2023 fees were proposed.

All of the above remuneration relates to fixed annual fees. There are no pension arrangements in place for the Directors of the Company. Accordingly, there were no other items in the nature of remuneration, pension entitlements or incentive scheme arrangements which were paid or accrued to the Directors during the year.

Directors' Shareholdings in the Company

Directors are not required under the Company's Articles of Incorporation or letters of appointment to hold shares in the Company. At December 31, 2022, the Directors' interests in the Company were as follows:

	Class of Shares Held	Number of Shares
Anne Farlow	Public Shares	20,700
Nicholas Botta	Public Shares	2,065,822
Bronwyn Curtis	Public Shares	7,400
Andrew Henton	Public Shares	4,775
Tope Lawani	N/A	–
Rupert Morley	N/A	–
Tracy Palandjian	Public Shares	15,500

There have been no changes in the interests of the Directors between December 31, 2022 and the date of signing of this report.

Corporate Governance Report

The Company is a member of the AIC and reports against the AIC Code of Corporate Governance published in February 2019 (the "AIC Code"). The AIC Code provides a framework of corporate governance best practices for investment companies.

As an entity authorized and regulated by the Guernsey Financial Services Commission (the "GFSC"), the Company is subject to the GFSC's "Finance Sector Code of Corporate Governance" (the "Guernsey Code"). By reason of the premium listing of the Public Shares on the LSE, the Company is also required by the Listing Rules of the Financial Conduct Authority to report on how it has applied the UK Corporate Governance Code (the "UK Code"). The Company is deemed to meet its reporting obligations under the Guernsey Code and the UK Code by reporting against the AIC Code. The AIC Code addresses all of the principles set out in the Guernsey Code and closely reflects the UK Code. In addition, the AIC Code contains additional principles and recommendations on issues that are of specific relevance to investment companies. Accordingly, the Board believes that applying the AIC Code provides the appropriate corporate governance framework for the Company and reporting for its shareholders.

The AIC Code is available on the AIC's website, www.theaic.co.uk. The UK Code is available on the UK Financial Reporting Council's website, www.frc.org.uk.

The Company's compliance with the AIC Code is explained in this Corporate Governance Report, the Report of the Directors, the Directors' Remuneration Report and the Report of the Audit Committee. As set forth in these reports, the Company has complied with the principles and recommendations of the AIC Code and the relevant provisions of the UK Code.

The Board strongly believes that its focus on maintaining high standards of corporate governance contributes to the Company's success, as described throughout this report and the reports of its committees.

THE BOARD COMPOSITION AND DELEGATION OF FUNCTIONS AND ACTIVITIES

The Board consists of seven non-executive Directors, six of whom are independent. Mr Botta, as President of the Investment Manager, is deemed not to be an independent Director of the Company. Ms Farlow, Ms Curtis and Mr Henton serve as Chairman of the Board, Senior Independent Director and Chairman of the Audit Committee, respectively.

The Company has no executive directors or employees, and has engaged external parties to undertake the daily management, operational and administrative activities of the Company. In particular, the Directors have delegated the function of managing the assets comprising the Company's portfolio to the Investment Manager, which is not required to, and generally will not, submit individual investment decisions for the approval of the Board. In each case where the Board has delegated certain functions to an external party, the delegation has been clearly documented in contractual arrangements between the Company and the external party. The Board retains accountability for the various functions it delegates. Further information is provided in the Report of the Audit Committee.

COMPANY CULTURE

While the Company does not have employees, the Board and the Investment Manager believe that it is important to the Company's success to promote a culture of high ethical and professional values, engage in prudent risk management and utilize effective control processes and systems. The Company has adopted an investment policy, which describes the Company's investment objective, the instruments in which the Company may invest and the types of opportunities the Investment Manager seeks on the Company's behalf. Risk management is integrated into the Investment Manager's investment process and operations. The Investment Manager creates strong operational systems by maintaining a robust compliance function, continually seeking to enhance its infrastructure and controls, and incentivizing personnel to collaborate and act with professional integrity.

The Board periodically receives reports on the Investment Manager's culture and is exposed to that culture through its close contact with the Investment Manager's management team and support personnel. The Board continues to believe that the Investment Manager's experienced, high-performance team and its lean, investment-centric business model have contributed to the success of the Company.

DIVERSITY

The Directors recognize that the diversity of the Board and its committees contribute to the success of the Company by enhancing the Board's effectiveness through good corporate governance. In accordance with the AIC Code, the Board regards its own diversity as an important mechanism by which to balance the necessary mix of skills, experience, independence, opinions and knowledge appropriate for the Company.

The Board is committed to appointing the best possible applicant for any open Board positions, taking into account the composition and needs of the Board at the time of the appointment. Subject to the foregoing, it is the intention of the Board that Board members include Directors of different backgrounds, races and genders with different skills, knowledge, and experience. It is the goal of the Board that the composition of Board committees reflects the overall diversity of the Board.

The Nomination Committee is responsible for recommending the appointment of new Directors to the Board. When evaluating candidates, the Nomination Committee will give full consideration to the skills, experience, knowledge, background, gender, and race of each candidate in the context of the composition of the current Board (including the benefits of gender and ethnic diversity), the challenges and opportunities facing the Company and the balance of skills, knowledge, and experience needed for the Board to be effective in the future. All candidates are considered on their merits. Where appropriate, the Nomination Committee may retain external search consultants to assist in securing a diverse pool of candidates for open board positions.

The Board currently comprises three female and four male directors (43% female), including one female director and one male director from ethnic minority backgrounds (29% ethnic minority). Both the Chairman and the Senior Independent Director are women. This composition exceeds the targets regarding board diversity set by Listing Rule 9.8.6R (9)(a). As the Company is externally managed by the Investment Manager, it does not have the roles of CEO or CFO.

The Board intends to maintain or exceed the targets for board diversity in the Listing Rules, consistent with its aim that the Board reflects the balance of skills, experience, length of service and knowledge appropriate for the Company.

The Investment Manager continues to implement the recommendations made by its Diversity & Inclusion Committee. In 2022, the Investment Manager added ethnic minority representation to its leadership with the appointment of Ryan Israel as Chief Investment Officer and added female and minority hires to its operational teams.

BOARD TENURE AND SUCCESSION PLANNING

All Directors are required to submit themselves to re-election by shareholders at each annual general meeting, and any Director appointed in accordance with the Articles of Incorporation will hold office only until the next following annual general meeting and will then stand for re-election. In accordance with the AIC Code, if and when any Director, including the Chairman, has been in office (or upon re-election would at the end of that term, be in office) for more than nine years, the Board will consider whether there is a risk that such Director might reasonably be deemed to have lost independence through long service. The Board believes that this policy will provide for its regular refreshment while allowing it the flexibility to maintain the proper balance of skills, experience and independence that will contribute to the Company's success.

Ms Farlow joined the Board in October 2014 and will, at the 2023 Annual General Meeting, have served as a Director of the Company for more than eight years. Given that four of the other five independent non-executive directors will have only served for two years, the Board concluded that it would be in the best interests of the Company for Ms Farlow to continue to chair the Company until the 2024 Annual General Meeting, when she will not submit herself for re-election by shareholders. As Ms Farlow is the chairman of the Nomination Committee, the full Board will undertake a thorough search process for her successor, which will commence in October 2023.

Further details regarding the succession planning undertaken by the Nomination Committee are provided under "Nomination Committee" on pages 48-49.

THE BOARD'S PROCESSES

The content and culture of board meetings are a critical means by which the Board's governance contributes to the Company's success. The Board meets regularly throughout the year, at least on a quarterly basis. Board meetings prioritize open discussion and debate. The Board's decision-making actively considers the likely consequences of any decision in the long term, reputational risks to the Company and the need to consider the interests of shareholders' as a whole.

The Chairman maintains regular contact with the Investment Manager to identify information that should be provided to the Directors, and invites Director comments on meeting agendas. At the beginning of every Board meeting, Directors disclose their potential conflicts, including ownership in the Company, personal interests in the business to be transacted at the meeting, and potential appointments to other public companies. The Chairman is actively involved in all aspects of Board decision making, seeks input from other Directors, and encourages their participation in matters involving their expertise. Minutes of meetings reflect any Director's concerns voiced at Board meetings.

At each quarterly Board meeting, the Board receives updates regarding the Investment Manager's operations and investor relations activities during the quarter. The Board also reviews the Company's investments, share price performance, and the premium/discount to NAV at which the Company's Public Shares are trading, and receives an update on litigation and regulatory matters. The Board conducts a comprehensive review of the Company's expenses semi-annually or more frequently, as needed.

In order to perform these reviews in an informed and effective manner, the Board receives formal reports from the Investment Manager at each quarterly Board meeting. The Board may also request focused reports to review the Investment Manager's controls in certain operational areas such as information security, regulatory compliance or media relations, and may request enhanced operational controls as appropriate. In between meetings, the Board maintains regular contact with the Investment Manager, the Company Secretary and the Administrator, and is informed in a timely manner of investments and other matters relevant to the operation of the Company that would be expected to be brought to the Board's attention.

An induction program, including training and information about the Company and the Investment Manager, is provided to Directors upon their election or appointment to the Board. Each Director is encouraged to consider their own training needs on an ongoing basis, and the Chairman also assesses the individual training requirements for each Director. Directors, where necessary in the furtherance of their duties, also have access to independent professional advice at the Company's expense.

BOARD ATTENDANCE

All Board members are expected to attend each Board meeting and to arrange their schedules accordingly, although non-attendance may be unavoidable in certain circumstances. The following table details the number of Board meetings attended by each Director in the year ended December 31, 2022:

	Scheduled Quarterly Board Meetings (attended/eligible)	Ad-hoc Board and Subcommittee Meetings (attended/eligible)
Nicholas Botta[1]	4/4	4/4
Bronwyn Curtis	4/4	4/4
Anne Farlow	4/4	4/4
Andrew Henton	4/4	5/5
Tope Lawani	3/4	5/5
Rupert Morley	4/4	5/5
Tracy Palandjian	3/4	3/4

1 Mr Botta does not attend meetings as a Director where such attendance may conflict with his interests as President and a partner in the Investment Manager.

The Board meets formally four times a year. Ad-hoc Board meetings may be convened at short notice to discuss time-sensitive matters arising in between scheduled meetings and require a quorum of two Directors.

COMMITTEES OF THE BOARD

The Board has established an Audit Committee, a Remuneration Committee, a Management Engagement Committee, a Nomination Committee and a Risk Committee. Committee membership is further described in the report of each Committee.

Audit Committee

Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee.

Remuneration Committee

The Remuneration Committee consists of Ms Curtis, Mr Morley and Ms Palandjian. Ms Curtis is the Chairman of the Remuneration Committee. The Remuneration Committee reviews the remuneration of the Company's Chairman and non-executive Directors and seeks to ensure that the Company maintains fair and appropriate remuneration policies and controls. Further details regarding the Directors' remuneration are provided in the Directors' Remuneration Report.

Below is a summary of Director attendance at Remuneration Committee meetings in the year ended December 31, 2022:

	Remuneration Committee Meetings (attended/eligible)
Bronwyn Curtis	1/1
Rupert Morley	1/1
Tracy Palandjian	0/1

The written terms of reference of the Remuneration Committee are available on the Company's website or, on request, from the Company Secretary.

Management Engagement Committee

The Management Engagement Committee consists of the independent Directors of the Company who are not affiliated with the Investment Manager. Ms Farlow is the Chairman of the Management Engagement Committee. The Management Engagement Committee reviews the performance of the Investment Manager in the management of the Company's affairs and the terms of engagement and performance of the Company's other key service providers, and then reports and makes recommendations to the full Board.

Below is a summary of Director attendance at Management Engagement Committee meetings in the year ended December 31, 2022:

	Management Engagement Committee Meetings (attended/eligible)
Bronwyn Curtis	1/1
Anne Farlow	1/1
Andrew Henton	1/1
Rupert Morley	1/1
Tope Lawani	1/1
Tracy Palandjian	1/1

The written terms of reference of the Management Engagement Committee are available on the Company's website or, on request, from the Company Secretary.

The Management Engagement Committee reviewed the performance of and fees paid to the Company's key service providers for 2021 and the first quarter of 2022, including the Investment Manager, in May 2022. The review also included the Investment Manager's risk assessment of each service provider and a summary of the diligence the Investment Manager performs. The Committee made certain recommendations to the Board and the Investment Manager based on its assessment of each service provider's performance.

The Committee's review of the Investment Manager's performance noted with approval that the Investment Manager had delivered consistently strong NAV performance over the prior three years, with NAV returns of 26.9%, 70.2% and 58.1% in 2021, 2020 and 2019, respectively. The Company's share price also grew at a similar rate over these periods and shareholder sentiment about the Company's returns was positive. For these reasons, the Committee found PSCM's engagement to be in the long-term best interest of the Company and recommended that the Board continue to engage PSCM as the Investment Manager.

The Management Engagement Committee confirmed that the fees earned by the Investment Manager were calculated in accordance with the terms of the IMA. The Committee notes that the significant investment in the Company by the Investment Manager's team has closely aligned its interests with those of the Company. Furthermore, the Committee believes that competitive remuneration is critical to the Investment Manager's ability to recruit and retain the personnel who contribute to the long-term success of the Company. The Committee notes that the Investment Manager has also implemented a long-term equity program, to retain key personnel.

Nomination Committee

The Nomination Committee consists of Mr Botta, Ms Farlow and Mr Lawani. Ms Farlow is the Chairman of the Nomination Committee. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, succession planning for Director departures and identifying and nominating suitable candidates to fill vacancies, taking into account the challenges and opportunities facing the Company and the skills, knowledge and experience needed on the Board. The Committee reports its recommendations to the full Board. It is the policy of the Board that if the Chairman of the Board is a member of the Nomination Committee, the full Board will consider the matter of the succession to the chairmanship of the Board.

The Nomination Committee also reviews the commitments of the Directors to confirm that they continue to have sufficient time to meet their responsibilities to the Company and that their other commitments do not create any conflicts of interest. To ensure that Directors continue to have sufficient time to be effective contributors to the Company, Directors are limited in the number and type of directorship appointments they may hold in accordance with overboarding guidelines, and seek the approval of the

Board prior to accepting new appointments. In considering whether to grant approval, the Board will assess any impact the appointment may have on the time the Director is able to devote to the Company, any impact on the Director's independence, and relevant guidelines on overboarding. Various appointments were approved by the Board in 2022 in accordance with these considerations.

Below is a summary of Director attendance at Nomination Committee meetings in the year ended December 31, 2022:

	Nomination Committee Meetings (attended/eligible)
Anne Farlow	1/1
Nicholas Botta	1/1
Tope Lawani	1/1

The written terms of reference of the Nomination Committee are available on the Company's website or, on request, from the Company Secretary.

In anticipation of the retirement of Ms Farlow at the 2024 Annual General Meeting, the full Board will participate in the search process for her replacement. The Board is mindful of the targets on board diversity applicable to the Company under the Listing Rules for accounting periods after April 1, 2022 and will consider a diverse range of candidates that will permit the Company to meet those targets, consistent with the balance of skills, knowledge and experience needed for the Board to be effective in the future.

Risk Committee

The Risk Committee consists of all of the Directors of the Company. Mr Henton is the Chairman of the Risk Committee. The Risk Committee is responsible for reviewing the Company's risk profile, as described in the Company's Investment Policy, borrowing policy and other risk disclosures; identifying, evaluating and reporting to the Board any emerging risks to the Company; ensuring that appropriate controls and reporting are in place to allow for the identification, monitoring and management of key risks to the Company's business; conducting and submitting to the Board an annual assessment of the material risks applicable to the Company's business; and making recommendations to the Board regarding risk mitigation.

The written terms of reference of the Risk Committee are available on the Company's website or, on request, from the Company Secretary.

Below is a summary of Director attendance at Risk Committee meetings in the year ended December 31, 2022:

	Risk Committee Meetings (attended/eligible)
Nicholas Botta	2/2
Bronwyn Curtis	1/2
Anne Farlow	2/2
Andrew Henton	2/2
Tope Lawani	2/2
Rupert Morley	2/2
Tracy Palandjian	2/2

The Risk Committee identified 44 risks relevant to the Company's business in 2022. These risks consist of risks arising from the Company's investment activities, structure and operations as well as risks relating to shareholder engagement and regulatory compliance.

The Risk Committee has considered the cause of each risk and has assigned each risk a rating based on the likelihood of the risk occurring and the severity of the impact on the Company if the risk occurs, both before and after considering the controls in place to mitigate them. Risks with the highest residual risk have been included in "Principal Risks and Uncertainties".

The Risk Committee considered rising interest rates and geopolitical concerns to be emerging risks to the Company's portfolio in 2022. The Committee took comfort in the Investment Manager's hedging strategy, which proactively managed its positions in interest rate swaptions and initiated new currency and energy hedges to offset equity declines in the Company's portfolio.

COMMITTEES OF THE INVESTMENT MANAGER

The Investment Manager has a Conflicts Committee, which meets no less frequently than annually and on an as-needed basis; a Best Execution Committee, which meet no less frequently than quarterly and on an as-needed basis; and Cybersecurity, Valuation and Disclosure Committees, which meet no less frequently than semi-annually, and on an as-needed basis. The minutes from the Disclosure, Valuation and Conflicts Committee meetings are presented to the Board at the quarterly Board meetings, or sooner if necessary.

BOARD PERFORMANCE

The performance of the Board and that of each individual Director is evaluated annually.

The Board engaged SCT Consultants as an independent external adviser to facilitate the evaluation of its 2022 performance. The external adviser assessed the effectiveness of the Board on key indicators of performance, including the Board's composition and diversity, understanding of its role and Company strategy, risk management, succession planning, stakeholder engagement and culture. The assessment was conducted by a review of key Board documents, a series of interviews with Board members, the Company Secretary and Investment Manager personnel, a questionnaire survey of Board members and the Company Secretary and an observation of a quarterly Board meeting.

The Chairman discussed matters related to individual performance with each Director. The Senior Independent Director conducted a review of the Chairman's performance with the other non-executive Directors.

The Board evaluation demonstrated that the Board continues to perform highly and is well run. The assessment noted that the Board had incorporated the findings of the previous evaluation and added important skills and experience with the addition of several new members. It was observed that the Directors worked constructively as a team and with the Investment Manager and demonstrated a strong understanding of their role and the Company's strategy. No material weaknesses in performance were identified in the assessment, and the Board has concluded that it operated effectively in 2022.

/s/ Anne Farlow
Anne Farlow
Chairman of the Board
March 28, 2023

Report of the Audit Committee

The Audit Committee consists of Ms Curtis, Mr Henton and Mr Morley. Mr Henton is the Chairman of the Audit Committee. In consideration of Mr Henton's professional qualifications and service on the audit committees of other investment companies, and the experience of the other Audit Committee members in the financial sector, the Board has determined that the Audit Committee has the relevant experience to successfully perform its duties.

Below is a summary of Director attendance at Audit Committee meetings in the year ended December 31, 2022:

	Audit Committee Meetings (attended/eligible)
Bronwyn Curtis	4/4
Andrew Henton	4/4
Rupert Morley	4/4

The Audit Committee has written terms of reference with formally delegated duties and responsibilities. The terms of reference of the Audit Committee are available on the Company's website or, on request, from the Company Secretary.

The Audit Committee considers the appointment, independence and remuneration of the auditor and reviews the annual accounts and semi-annual reports. Where non-audit services are to be provided by the auditor, the Audit Committee reviews the scope and terms of the engagement and considers the financial and other implications on the independence of the auditor.

The principal duties of the Audit Committee are to monitor the integrity of the Financial Statements of the Company, including its annual and semi-annual reports and formal announcements relating to the Company's financial performance, and reviewing and reporting to the Board on significant financial reporting issues and judgements communicated to the Committee by the auditor. In particular, the Audit Committee reviews and assesses, where necessary:

- The consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- The clarity of disclosure in the Company's financial reports and the context in which statements are made;
- All material information presented with the Financial Report such as the Chairman's Statement, Investment Manager's Report, Principal Risks and Uncertainties, Report of the Directors, Directors' Remuneration Report and the Corporate Governance Report; and
- The content of the Annual Report and Financial Statements, and advises the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

PREPARATION OF FINANCIAL STATEMENTS

The Audit Committee takes an active role in the planning and preparation for the audit. The Audit Committee's November 2022 meeting was devoted to discussing the audit plan and timelines, including the extensive coordination undertaken by the Investment Manager and the Administrator to ensure an efficient audit process. In addition to meetings of the Audit Committee during the audit, the Chairman of the Board and the Chairman of the Audit Committee were in regular contact with the Investment Manager, Administrator and auditor throughout the audit process. From this contact, the Audit Committee was able to consider the processes of the Investment Manager and the Administrator in relation to the production of the Financial Statements and determine that their processes were appropriate.

The Audit Committee used its own experience with the Company and the Investment Manager's and Administrator's knowledge to determine the overall fairness, balance and understandability of the Annual Report and Financial Statements, and carefully reviewed their content prior to final approval by the Board. This allowed the Audit Committee and the Board to be satisfied that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable.

SIGNIFICANT REPORTING MATTERS

As part of the year-end audit, the Audit Committee reviewed and discussed the most relevant issues for the Company. In discharging its responsibilities, the Audit Committee made the following assessments during the year:

The Audit Committee has confirmed that where the Investment Manager has fair valued Level 2 or Level 3 assets, the Investment Manager has obtained pricing from an independent service or valuation agent, or otherwise uses a valuation methodology that has been reviewed by the auditor and found to be appropriate for the investment, free of management bias and consistent with the requirements of IFRS.

The Audit Committee reviewed the completeness and accuracy of the disclosures in the Annual Report and Financial Statements, and satisfied itself that the disclosures appropriately reflected the risks facing the Company and its financial results.

The Audit Committee reviewed the report of the Risk Committee and the Board's procedures regarding the identification, management, and monitoring of risks that could affect the Company. The Audit Committee is satisfied that the Risk Committee and the Board are engaged on an ongoing basis in the process of identifying, evaluating and managing (where possible) the principal and emerging risks facing the Company as described in Principal Risks and Uncertainties on pages 23-27. The Audit Committee also has access to personnel of the Investment Manager responsible for implementing and maintaining controls to address these risks.

The Audit Committee confirms that the Board and Investment Manager have monitored the Company's compliance with applicable regulations, listing requirements and corporate governance standards.

After considering the audit process and various discussions with the auditor, Investment Manager and Administrator, the Audit Committee is satisfied that the audit was undertaken in an effective manner and addressed the main risks.

INTERNAL CONTROLS

The Audit Committee has examined the effectiveness of the Company's internal control systems at managing the risks to which the Company is exposed and has not identified any material weaknesses.

The Board is ultimately responsible for the Company's system of internal controls, and for assessing its effectiveness at managing the operational risks to which the Company is exposed. The internal control systems are designed to manage, rather than eliminate, the operational risk of failure to achieve business objectives, and by their nature can only provide reasonable and not absolute assurance against misstatement and loss. The Board confirms there is an ongoing process for identifying, evaluating and managing the significant operational risks faced by the Company, and that this process was in place for the year ended December 31, 2022, and has been in place up to the date of the approval of the Annual Report and Financial Statements. This is done in accordance with relevant best practices detailed in the Financial Reporting Council's guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Risk Committee, at the direction of the Board, conducts an annual risk assessment to identify the material risks applicable to the Company's business, the likelihood of a risk occurring, and the severity of the impact on the Company, and reviews the controls and reporting in place to monitor and mitigate these risks. Deficiencies and recommendations are provided to the Board. The Investment Manager's operational controls are reviewed by the Board as part of an operational update provided by the Investment Manager at each quarterly Board meeting.

Neither the Company nor the Investment Manager have an internal audit department. All of the Company's management functions are delegated to independent third parties, and the Board therefore believes that an internal audit function for the Company is not necessary or required. The Board, and where appropriate the Investment Manager, has familiarized itself with the internal control systems of its material service providers, which report regularly to the Board. The Board is satisfied that the controls employed by these service providers adequately manage the operational risks to which the Company is exposed.

AUDITOR

It is the duty of the Audit Committee, among other things, to:

- Consider and make recommendations to the Board in respect of the Company's external auditor that are to be approved by shareholders at the Annual General Meeting;
- Discuss and agree with the external auditor the nature and scope of the audit;
- Keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor; and
- Review the external auditor's letter of engagement, audit plan and management letter.

Ernst & Young LLP ("EY") has acted as the Company's auditor since it was appointed to audit the Company's first Financial Statements, for the period ended December 31, 2012. The audit partner rotated from Jersey to Guernsey for the 2022 audit year.

Although not formally required by applicable regulations, the Audit Committee noted the auditor's long tenure and chose to undertake a formal audit tender process in 2022 to assess the quality and effectiveness of the auditor with those of other audit firms. The tender process took into consideration best practices in line with the 2018 UK Corporate Governance Code and 2019 AIC Code of Corporate Governance. The Committee solicited proposals from four firms in the Channel Islands, one of which was a "challenger" audit firm as defined by the Department for Business, Energy and Industrial Strategy ("BEIS") in the UK. Detailed responses to a formal request for proposal were subsequently received from EY and another well-respected accounting firm. Audit Committee members and senior personnel of the Investment Manager met with representatives of each firm and evaluated their proposals against a set of agreed criteria. Based on their review of the written proposals, presentations and in the case of EY, prior relevant experience, the Audit Committee and the Investment Manager determined to recommend that EY continue to serve as the Company's auditor. The Audit Committee believes that the auditor has successfully maintained its independence, not least by virtue of its separate operations in Jersey and Guernsey, and is able to continue so doing by periodic partner rotation. Given that EY has consistently delivered high-quality audit services for the Company, in the absence of demonstrable benefit from a change it was concluded that shareholder interests would best be served by retaining the services of that firm as auditor.

The Audit Committee also reviewed the scope of the audit and the fee proposal set out by the auditor in its audit planning report and discussed these with the auditor at the Audit Committee meeting held on November 3, 2022. The

Company regularly undertakes market surveys of auditors' fees and has found its auditor's fees to be in line with the market. The Audit Committee recommended to the Board that it accept the auditor's proposed fee of $202,900 (2021 Actual: $217,300) for the audit of the Annual Report and Financial Statements. During the year ended December 31, 2022, the Company also paid $69,500 (2021: $91,700) for fees related to the semi-annual review.

The Audit Committee understands the importance of auditor independence. Each year, the Audit Committee reviews the scope and results of the audit, its cost effectiveness, and the independence and objectivity of the external auditor. As part of this review, the Audit Committee receives a report from the external auditor confirming its independence and the controls it has in place to ensure its independence is not compromised.

The table below summarizes the amounts expensed and/or capitalized for tax services and other services during the years ended December 31, 2022 and December 31, 2021.

	Year Ended 2022	Year Ended 2021
Tax Services	$ 51,925	$ 45,441
Other Services[1,2]	150,948	195,832
Total Non-Audit Fees	$ 202,873	$ 241,273

1 In 2022, EY was engaged to provide a comfort letter relating to the financial information of the Company in the offering memorandum for a potential debt offering.
2 In 2021, EY was engaged to provide a comfort letter relating to the financial information of the Company in the offering memorandum for the 2027 and 2031 Bonds.

Any engagement of the auditor to provide non-audit services to the Company must also receive the prior approval of the Audit Committee. In considering whether to approve such engagement, the Audit Committee assesses (i) the nature of the non-audit service and whether the auditor is the most appropriate party to provide such service; (ii) the proposed fee for the service and whether it is reasonable; and (iii) whether the engagement will constitute a threat to the objectivity and independence of the conduct of the audit. The Audit Committee may take into account the expertise of the auditor, the potential time and cost savings to the Company, and any other factors it believes relevant to its determination.

During 2022, the auditor was engaged to provide non-audit services to the Company in connection with a potential debt offering. Prior to approving the engagement, the Audit Committee confirmed that no firm other than the auditor could provide the services in the expedited timetable required for the offering. Furthermore, because of the auditor's audit of the Company's financial statements, comfort letters issued in respect of prior financial statements and expertise in the matters for which it was engaged, the auditor was able to perform the non-audit services more efficiently than another accounting firm, resulting in substantial cost savings to the Company.

The Audit Committee has reviewed the fees paid for the non-audit services. The Audit Committee does not consider the fees to be excessive or a threat to the objectivity and independence of the conduct of the audit and considers EY to be independent of the Company.

Notwithstanding the auditor tender process, to fulfill its responsibility regarding the independence of the external auditor, the Audit Committee considers:

- discussions with or reports from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the nature of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Audit Committee reviews:

- the external auditor's fulfillment of the agreed audit plan and variations from it;

- discussions or reports highlighting the major issues that arose during the course of the audit; and
- feedback from other service providers evaluating the performance of the audit team.

The Audit Committee is satisfied with EY's effectiveness and independence as external auditor having considered the degree of diligence and professional skepticism demonstrated by them and has also considered the Financial Reporting Council's Audit Quality Review of EY's previous audit work.

Having carried out the tender process described above and satisfied itself that the external auditor remains independent and effective, the Audit Committee has recommended to the Board that EY be reappointed as external auditor for the year ending December 31, 2023.

A resolution to re-appoint EY as auditor will be proposed at the 2023 Annual General Meeting.

Shareholders should note that the primary framework for the Company's audit is International Standards on Auditing (UK); the auditor's report thereunder is set out on pages 56-62. The Annual Report also includes on pages 63-64 a report from the auditor to the Directors in accordance with U.S. Generally Accepted Auditing Standards in order to satisfy various U.S. regulatory requirements.

/s/ Andrew Henton

Andrew Henton
Chairman of the Audit
Committee
March 28, 2023

Report of Independent Auditor

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PERSHING SQUARE HOLDINGS, LTD.

Opinion

We have audited the Financial Statements of Pershing Square Holdings, Ltd. (the "Company") for the year ended 31 December 2022 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements, including the UK FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.

Conclusions Relating to Going Concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included;

- Confirming our understanding of the Directors' going concern assessment process for the Company by engaging with the Directors and Investment Manager early in the audit process to ensure all key factors were considered in its assessment;
- Obtaining the Investment Manager's going concern assessment for the Company which comprised a cashflow forecast and bond covenant reverse stress test, acknowledging the liquidity of the investment portfolio, the significant net asset position and cash balances which are significantly in excess of current liabilities, and testing for arithmetical accuracy;
- We challenged the appropriateness of the Investment Manager's forecasts by applying downside sensitivity analysis and applying further sensitivities to understand the impact on the liquidity of the Company;
- Holding discussions with the Investment Manager and the Board on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern;
- Assessing the assumptions used in the going concern assessment prepared by the Investment Manager and considering whether the methods utilised were appropriate for the Company; and

- Reading the going concern disclosures included in the Annual Report and Financial Statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern up to 30 April 2024.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Overview of Our Audit Approach

Key audit matters	Misstatement of the valuation of the Company's investments
Materiality	Overall materiality of $98.8m which represents 1% of Total Equity.

An Overview of the Scope of our Audit

Tailoring The Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the Financial Statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment and the potential impact of climate change when assessing the level of work to be performed.

Climate Change

The Company has explained climate-related risks in the 'Environmental, Employee, Social And Community Issues' section of the Report of the Directors and form part of the "Other information", rather than the audited Financial Statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the Financial Statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on the adequacy of the Company's disclosures in the Financial Statements as set out in Note 7 and the conclusion that there was no further impact of climate change to be taken into account as the investments are valued based on market pricing as required by IFRS.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Misstatement of the valuation of the Company's investments (2022 – assets: $11,283.7 million and liabilities: $10.2 million; 2021 – assets: $13,871.9 million and liabilities: $38.8 million) Refer to the Report of the Audit Committee (pages 51-55); Accounting policies (pages 71-76); and Note 7 of the Financial Statements (pages 81-85) The fair value of the investment portfolio may be misstated due to the application of inappropriate methodologies or inputs to the valuations. The valuation of the Company's investments is a key driver of the Company's net asset value and total return. Investment valuation could have a significant impact on the net asset value of the Company and the total return generated for shareholders. There has been no change in this risk from the previous year.	Updated our understanding of the investment valuation process through a review of the SOC 1 report of the Company's Administrator, performed a walkthrough and evaluated the design of controls in this area. For level 1 investments we obtained values for all quoted equities from independent sources and agreed these to management's proposed values. For level 2 derivatives instruments, we instructed our internal valuation specialists to assist the audit team by independently valuing a sample of positions. We compared their values to the Company's valuations, assessing differences with reference to our Reporting Threshold. For the level 2 Investment in Affiliated Entity we have confirmed the Net Asset Value ("NAV") at the reporting date with the independent administrator of PS VII Master and compared the value to the Company's valuation. We confirmed the major components (99.9% by value) of the NAV by obtaining independent confirmation of title of PS VII Master's quoted equities and obtaining the values of those investments from independent sources. Assessed whether the valuation determined is in accordance with IFRS by comparing the valuation methodology to the requirements of IFRS 13.	We confirmed that there were no material instances of use of inappropriate policies or methodologies and that the valuation of the investments was not materially misstated. We also confirmed that there were no material matters arising from our audit work on the valuation of financial instruments, in accordance with IFRS, that we wanted to bring to the attention of the Audit Committee.

Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the Financial Statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Company to be $98.8 million (2021: $114.1 million), which is 1% (2021: 1%) of Total Equity. We believe that Total Equity provides us with the best measure of materiality as the Company's primary performance measures for internal and external reporting are based on Total Equity.

During the course of our audit, we reassessed initial materiality and updated its calculation to align with the year-end Total Equity figure.

Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely $74.1 million (2021: $85.6 million). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the Financial Statements did not exceed our materiality level.

Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of $4.9 million (2021: $5.7 million), which is set at 5% (2021: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other Information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on Which We Are Required to Report by Exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Company; or
- the Financial Statements are not in agreement with the Company's accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Report relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Report is materially consistent with the Financial Statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 39;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate, set out on page 39;
- Directors' statement on fair, balanced and understandable Financial Statements, set out on page 41;
- Director's statement on whether it has a reasonable expectation that the Company will be able to continue in operation and meets its liabilities, set out on page 39;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 49;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, set out on pages 52-53; and
- The section describing the work of the Audit Committee, set out on pages 51-55.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on pages 40-41, the Directors are responsible for the preparation of the Financial Statements, and for being satisfied that they give a true and fair view, and for such internal controls as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and Investment Manager.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies (Guernsey) Law, 2008, the 2018 UK Corporate Governance Code, AIC Code of Corporate Governance published in February 2019, the listing requirements of Euronext Amsterdam and the UK Listing Authority and the Protection of Investors (Bailiwick of Guernsey) Law, 2020;
- We understood how the Company is complying with those frameworks by making enquiries of the Investment Manager and those charged with governance regarding:
  - their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the Financial Statements;
  - the Company's methods of enforcing and monitoring non-compliance with such policies;
  - management's process for identifying and responding to fraud risks, including programs and controls the Company has established to address risks identified by the entity, or that otherwise prevent, deter and detect fraud; and
  - how management monitors those programs and controls.
- Administration and maintenance of the Company's books and records is performed by Northern Trust International Fund Administration Services (Guernsey) Limited whom are a regulated firm, independent of the Investment Manager. We corroborated our enquiries through our review of Board minutes and any correspondence received from regulatory bodies. We also obtained their SOC 1

controls report and reviewed it for findings relevant to the Company and evaluated the design of relevant controls. We noted no contradictory evidence during these procedures.

- We assessed the susceptibility of the Company's Financial Statements to material misstatement, including how fraud might occur by:
  - obtaining an understanding of entity-level controls and considering the influence of the control environment;
  - obtaining management's assessment of fraud risks including an understanding of the nature, extent and frequency of such assessment documented in the Board's risk matrix;
  - making inquiries with those charged with governance as to how they exercise oversight of management's processes for identifying and responding to fraud risks and the controls established by management to mitigate specifically those risks the entity has identified, or that otherwise help to prevent, deter and detect fraud;
  - making inquiries with management and those charged with governance regarding how they identify related parties including circumstances related to the existence of a related party with dominant influence; and
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of Board minutes and inquiries of the Investment Manager and those charged with governance including:
  - through discussion, gaining an understanding of how those charged with governance, the Investment Manager and Administrator identify instances of non-compliance by the Company with relevant laws and regulations;
  - inspecting the relevant policies, processes and procedures to further our understanding;
  - reviewing Board minutes and internal compliance reporting;
  - inspecting correspondence with regulators; and
  - obtaining relevant written representations from the Board of Directors.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 5 April 2013 to audit the Financial Statements for the year ended 31 December 2012 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 11 years, covering the years ended 31 December 2012 to 31 December 2022.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of Report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

/s/ Richard Geoffrey Le Tissier

Richard Geoffrey Le Tissier
For and on behalf of Ernst & Young LLP Guernsey
March 29, 2023

(1) The maintenance and integrity of the Pershing Square Holdings, Ltd. website is the responsibility of the Directors; the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

(2) Legislation in Guernsey governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF PERSHING SQUARE HOLDINGS, LTD.

Opinion

We have audited the accompanying financial statements of the Company, which comprise the Statement of Financial Position as of December 31, 2022 and 2021, and the related Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the years then ended, and the related notes to the Financial Statements (collectively referred to as the "Financial Statements").

In our opinion, the accompanying Financial Statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations, changes in equity, and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Director's Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of Financial Statements that are free of material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Financial Statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional scepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Financial Statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Financial Statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Financial Statements as a whole. The accompanying Condensed Schedule of Investments, Financial Highlights and Certain Regulatory Disclosures are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the Financial Statements. The information has been subjected to the auditing procedures applied in the audit of the Financial Statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the Financial Statements or to the Financial Statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the Financial Statements as a whole.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 1 to 55 and pages 113 to 119 but does not include the Financial Statements, Supplementary Information and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the Financial Statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ Ernst & Young LLP

Ernst & Young LLP
Guernsey, Channel Islands
March 29, 2023

Audited Financial Statements

STATEMENT OF FINANCIAL POSITION

As of December 31, 2022 and December 31, 2021
(Stated in United States Dollars)

	Notes		2022		2021
Assets					
Cash and cash equivalents	10	$	1,147,443,227	$	1,767,776,549
Due from brokers	13		506,639,045		158,421,029
Trade and other receivables	9		13,993,525		10,293,988
Financial assets at fair value through profit or loss					
Investments in securities	6		10,578,784,192		13,028,113,314
Derivative financial instruments	6, 8		704,954,822		843,764,884
Total Assets		**$**	**12,951,814,811**	**$**	**15,808,369,764**
Liabilities					
Due to brokers	13	$	670,670,000	$	774,874,594
Trade and other payables	9		6,179,416		464,492,013
Deferred tax expense payable	19		52,217,931		111,544,983
Financial liabilities at fair value through profit or loss					
Derivative financial instruments	6, 8		10,245,916		38,846,045
Bonds	18		2,332,567,827		3,009,416,881
Total Liabilities		**$**	**3,071,881,090**	**$**	**4,399,174,516**
Equity					
Share capital	11	$	5,722,349,692	$	5,722,349,692
Treasury shares	11		(506,863,152)		(242,956,239)
Retained earnings			4,664,447,181		5,929,801,795
Total Equity			**9,879,933,721**		**11,409,195,248**
Total Liabilities and Equity		**$**	**12,951,814,811**	**$**	**15,808,369,764**
Net assets attributable to Public Shares		$	9,879,604,584	$	11,408,830,936
Public Shares outstanding			190,858,442		199,120,882
Net assets per Public Share		$	51.76	$	57.30
Net assets attributable to Special Voting Share		$	329,137	$	364,312
Special Voting Share outstanding			1		1
Net assets per Special Voting Share		$	329,137.40	$	364,311.71

The accompanying notes form an integral part of these Financial Statements.

These Financial Statements on pages 65-109 were approved by the Board of Directors on March 28, 2023, and were signed on its behalf by

/s/ Anne Farlow	/s/ Andrew Henton
Anne Farlow	Andrew Henton
Chairman of the Board	Chairman of the Audit Committee
March 28, 2023	March 28, 2023

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2022 and December 31, 2021
(Stated in United States Dollars)

	Notes	2022	2021
Investment gains and losses			
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		$ (2,636,834,379)	$ 2,553,059,056
Net realized gain/(loss) on commodity interests (net of brokerage commissions and other related fees of (2022: nil, 2021: $652,636))		1,989,068,723	(109,129,995)
Net change in unrealized gain/(loss) on commodity interests (net of brokerage commissions and other related fees of (2022: nil, 2021: nil))		(490,763,327)	692,360,520
	6	(1,138,528,983)	3,136,289,581
Income			
Dividend income		159,239,648	114,730,177
Interest income	12	10,281,154	117,359
Other income		37,159	–
		169,557,961	114,847,536
Expenses			
Management fees	15	(148,482,762)	(146,070,348)
Interest expense	12	(103,420,537)	(105,493,134)
Professional fees		(9,247,770)	(8,130,098)
Other expenses		(2,939,617)	(2,348,782)
Performance fees	15	–	(464,058,982)
Bond extinguishment expense	18	–	(12,122,953)
		(264,090,686)	(738,224,297)
Net gain/(loss) on currency translation of the Bonds	18	34,372,153	10,633,330
Profit/(loss) before tax attributable to equity shareholders		**(1,198,689,555)**	**2,523,546,150**
Withholding tax (dividends)		(32,721,100)	(28,138,375)
Deferred tax expense	19	59,327,053	(59,098,133)
Profit/(loss) attributable to equity shareholders		**$ (1,172,083,602)**	**$ 2,436,309,642**
Earnings per share (basic & diluted)(1)			
Public Shares	17	$ (5.96)	$ 12.23
Special Voting Share	17	$ (36,384.33)	$ 77,794.82

All the items in the above statement are derived from continuing operations. There is no other comprehensive income for the years ended 2022 and 2021.

(1) EPS is calculated using the profit/(loss) for the year attributable to equity shareholders divided by the weighted average shares outstanding over the full years of 2022 and 2021 as required under IFRS. See Note 17 for further details.

The accompanying notes form an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2022 and December 31, 2021
(Stated in United States Dollars)

	Share Capital	Treasury Shares	Retained Earnings	Total Equity
As of December 31, 2021	**$ 5,722,349,692**	**$ (242,956,239)**	**$ 5,929,801,795**	**$ 11,409,195,248**
Total profit/(loss) attributable to equity shareholders	–	–	(1,172,083,602)	(1,172,083,602)
Share buybacks[1]	–	(263,906,913)	–	(263,906,913)
Dividend distribution to equity shareholders	–	–	(93,271,012)	(93,271,012)
As of December 31, 2022	**$ 5,722,349,692**	**$ (506,863,152)**	**$ 4,664,447,181**	**$ 9,879,933,721**
As of December 31, 2020	**$ 5,722,349,692**	**$ (242,956,239)**	**$ 3,573,143,049**	**$ 9,052,536,502**
Total profit/(loss) attributable to equity shareholders	–	–	2,436,309,642	2,436,309,642
Dividend distribution to equity shareholders	–	–	(79,650,896)	(79,650,896)
As of December 31, 2021	**$ 5,722,349,692**	**$ (242,956,239)**	**$ 5,929,801,795**	**$ 11,409,195,248**

(1) Since May 10, 2022, the Company has repurchased Public Shares as part of a series of share buyback programs. This amount includes the accretion relating to the repurchases that was allocated to the Public Shares and the Special Voting Share. Any repurchased Public Shares were subsequently held in Treasury. As of December 31, 2022 and December 31, 2021, 20,098,308 and 11,835,868 Public Shares were held in Treasury, respectively. See Note 11 for further details.

The accompanying notes form an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the years ended December 31, 2022 and December 31, 2021
(Stated in United States Dollars)

	Notes	2022	2021
Cash flows from operating activities			
Profit/(loss) for the year attributable to equity shareholders		$ (1,172,083,602)	$ 2,436,309,642
Adjustments to reconcile changes in profit/(loss) for the year to net cash flows:			
Bond interest expense	18	91,383,448	103,900,095
Bond interest paid[1]	18	(103,219,692)	(101,411,647)
Bond extinguishment expense	18	–	12,122,953
Net gain/(loss) on currency translation of the Bonds	18	(34,372,153)	(10,633,330)
(Increase)/decrease in operating assets:			
Due from brokers	13	(348,218,016)	797,255,595
Trade and other receivables	9	(3,699,537)	(1,428,366)
Investments in securities	6	2,449,329,122	(3,934,651,495)
Derivative financial instruments	6	138,810,062	(240,200,885)
Increase/(decrease) in operating liabilities:			
Due to brokers	13	(104,204,594)	728,870,000
Trade and other payables	9	(459,757,633)	(228,776,027)
Deferred tax expense payable	19	(59,327,052)	59,098,133
Derivative financial instruments	6	(28,600,129)	(534,744,717)
Net cash provided by/(used in) operating activities		**366,040,224**	**(914,290,049)**
Cash flows from financing activities			
Purchase of Public Shares[2]	11	(262,423,586)	(573)
Dividend distributions	11	(93,271,012)	(79,650,896)
Bond cancellation/retirement	18	(630,623,000)	(369,377,000)
Bond extinguishment expense	18	–	(12,122,953)
Proceeds from issuance of Bonds	18	–	1,276,892,792
Expenses relating to issuance of Bonds	18	(55,948)	(13,313,881)
Net cash provided by/(used in) financing activities		**(986,373,546)**	**802,427,489**
Net change in cash and cash equivalents		(620,333,322)	(111,862,560)
Cash and cash equivalents at beginning of year		1,767,776,549	1,879,639,109
Cash and cash equivalents at end of year	10	**$ 1,147,443,227**	**$ 1,767,776,549**
Supplemental disclosure of cash flow information and non-cash activities			
Cash paid during the year for interest		$ 114,287,219	$ 108,487,815
Cash received during the year for interest		$ 9,901,889	$ 95,069
Cash received during the year for dividends		$ 156,043,061	$ 113,093,212
Cash deducted during the year for withholding taxes		$ 32,436,970	$ 27,850,156
Equity securities (with appreciation of $510,548,632) received in-kind for proceeds from the distribution from PS VII Master, L.P.		$ –	$ 2,820,120,137

(1) In accordance with the amendments to IAS 7, the Company's changes in liabilities arising from financing activities related to the Bonds is further detailed in Note 18.
(2) Includes cash paid for fractional shares related to conversions for the year ended 2021.

The accompanying notes form an integral part of these Financial Statements.

Notes to Financial Statements

1. CORPORATE INFORMATION

Organization

The Company was incorporated with limited liability under the laws of the Bailiwick of Guernsey on February 2, 2012. It became a registered open-ended investment scheme under Guernsey law on June 27, 2012 and commenced operations on December 31, 2012. On October 1, 2014, the GFSC approved the conversion of the Company into a registered closed-ended investment scheme.

The Company's registered office is at Trafalgar Court, Les Banques, St. Peter Port, Guernsey GY1 3QL, Channel Islands.

A copy of the Prospectus of the Company is available from the Company's registered office and on the Company's website (pershingsquareholdings.com).

The latest traded price of the Public Shares is available on Reuters, Bloomberg, Euronext Amsterdam and the LSE.

Investment Policy

Please refer to "Investment Policy" in the Report of the Directors for the Investment Policy of the Company.

Bonds

Current Offerings

On July 25, 2019, the Company closed on a fully committed private placement of $400 million Senior Notes with a coupon rate of 4.95%, maturing on July 15, 2039 (the "2039 Bonds").

On August 26, 2020, the Company closed on a fully committed private placement of $200 million Senior Notes with a coupon rate of 3.00%, maturing on July 15, 2032 (the "2032 Bonds").

On November 2, 2020, the Company issued $500 million of Senior Notes maturing on November 15, 2030 (the "2030 Bonds"). The 2030 Bonds were issued at par with a coupon rate of 3.25% per annum.

On October 1, 2021, the Company issued $700 million of Senior Notes maturing on October 1, 2031 (the "2031 Bonds"). The 2031 Bonds were issued at 99.670% of par with a coupon rate of 3.25% per annum. On October 1, 2021, the Company also issued €500 million of Senior Notes maturing on October 1, 2027 (the "2027 Bonds" and together with the 2030 Bonds, 2031 Bonds, 2032 Bonds and 2039 Bonds, "the Outstanding Bonds"). The 2027 Bonds were issued at 99.869% of par with a coupon rate of 1.375% per annum.

The Outstanding Bonds rank equally in right of payment and contain substantially the same covenants. The Outstanding Bonds' coupons are paid semi-annually, with the exception of the 2027 Bonds, which are paid annually. The Outstanding Bonds are listed on Euronext Dublin under the symbol of PSHNA.

Redeemed Offering

On June 26, 2015, the Company closed on the offering of $1 billion Senior Notes that matured on July 15, 2022 (the "2022 Bonds" and together with the Outstanding Bonds, the "Bonds"). The 2022 Bonds were issued at par with a coupon rate of 5.50% per annum, which was paid semi-annually. The 2022 Bonds were retired on June 15, 2022.

On September 22, 2021, the Company commenced a cash tender offer for the 2022 Bonds. Bonds in the amount of $369,377,000 were tendered and cancelled on October 4, 2021. Bond holders participating in the tender received consideration from the Company of $1,032.82 per $1,000 of principal plus accrued and unpaid interest through October 3, 2021, equating to a total payment of $385,958,128.

The consideration paid in excess of principal resulted in a one-time extinguishment expense of $12,122,953 to the Company. Following the cancellation, the aggregate principal amount of the 2022 Bonds outstanding was $630,623,000.

On June 15, 2022, the Company redeemed all outstanding 2022 Bonds at a redemption price equal to 100% of the principal amount of $630,623,000, plus accrued and unpaid interest through June 14, 2022 of $14,451,777. Following the redemption, the 2022 Bonds were retired.

Investment Manager

The Company has appointed PSCM as its investment manager pursuant to the IMA. The Investment Manager has responsibility, subject to the overall supervision of the Board of Directors, for the investment of the Company's assets in accordance with the Investment Policy of the Company. The Company delegates certain administrative functions relating to the management of the Company to PSCM. William A. Ackman is the managing member of PS Management GP, LLC, the general partner of PSCM.

Board of Directors

The Company's Board of Directors is comprised of Nicholas Botta, President and a partner of the Investment Manager, Bronwyn Curtis, Anne Farlow, Andrew Henton, Tope Lawani, Rupert Morley and Tracy Palandjian, all of whom are non-executive Directors. All Directors other than Mr. Botta are considered independent. Anne Farlow is the Chairman of the Board.

Committees of the Board

The Board has established an Audit Committee, a Management Engagement Committee, a Remuneration Committee, a Risk Committee and a Nomination Committee. Mr. Botta is a member of the Risk and Nomination Committees. The other committees are comprised solely of independent Directors of the Company who are not affiliated with the Investment Manager. Further details as to the composition and role of the Audit Committee are provided in the Report of the Audit Committee; further details as to the composition and role of the Management Engagement, Remuneration, Risk and Nomination Committees are provided in the Corporate Governance Report.

Prime Brokers

Goldman Sachs & Co. LLC and UBS Securities LLC (the "Prime Brokers") both serve as custodians and primary clearing brokers for the Company.

Administrator

Northern Trust International Fund Administration Services (Guernsey) Limited (the "Administrator") is the administrator and Company Secretary.

The Administrator provides certain administrative and accounting services, including the maintenance of the Company's accounting and statutory records, and receives customary fees, plus out of pocket expenses, based on the nature and extent of services provided.

Exchange Listings

The Company's Public Shares trade on the Premium Segment of the Main Market of the LSE and on Euronext Amsterdam. Shares are quoted and traded in USD in Amsterdam and in USD and Sterling in London.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Financial

Statements have been prepared on a historical-cost basis, except for financial assets and financial liabilities at fair value through profit or loss that have been measured at fair value.

The Company presents its statement of financial position with assets and liabilities listed in order of liquidity. An analysis regarding settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 13.

After making reasonable inquiries and assessing all data relating to the Company's liquidity, particularly its holding of cash and Level 1 assets in relation to its liabilities, the Investment Manager and the Board of Directors believe that the Company is well placed to manage its business risks, has adequate resources to continue in operational existence through April 30, 2024 and do not consider there to be any threat to the going concern status of the Company. For these reasons, the Company has adopted the going concern basis in preparing the Financial Statements.

Financial Instruments

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss and Commodity Interests

Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities. A financial asset or financial liability is measured at fair value through profit or loss if it meets the definition of held for trading.

In applying that classification, a financial asset or financial liability is considered to be held for trading if: (a) it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or (b) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or (c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial Assets

The Company classifies its financial assets as subsequently measured at fair value through profit or loss or measured at amortized cost based on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at fair value through profit or loss ("FVPL")

A financial asset is measured at fair value through profit or loss if: (a) its contractual terms do not give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding or (b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or (c) at initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company includes in this category investments in securities and derivative financial instruments.

Financial assets measured at amortized cost

A debt instrument is measured at amortized cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The Company includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts and other receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired.

Financial Liabilities

Financial liabilities measured at fair value through profit or loss

A financial liability is measured at fair value through profit or loss if it meets the definition of held for trading. This category would include derivative contracts in a liability position and equity instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortized cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category its Bonds and other short-term payables.

Derecognition of financial liabilities

The Company will derecognize a financial liability when the obligation under the liability is discharged, canceled or expired.

Bonds at Amortized Cost

(i) Classification

The Company classifies its Bonds, as discussed in Note 1 and Note 18, at initial recognition at amortized cost.

(ii) Recognition

The Company recognizes its Bonds upon the date of issuance of the Bonds.

(iii) Initial Measurement

Bonds are measured initially at their par values minus the original issue discount, if any, and any transaction costs directly attributable to their issuance.

(iv) Subsequent Measurement

After initial measurement, the Company measures the Bonds at amortized cost using the effective interest method. Interest expense relating to the Bonds is calculated using the effective interest method allocated over the relevant period and is recognized in the statement of comprehensive income accordingly. The interest expense relating to the Bonds includes the amortization of coupon interest, the original issue discount, if any, and the transaction costs attributable to their issuance.

(v) Derecognition

The Company will derecognize its liability associated with each of the Bonds upon maturity, tender, or in the event that the Company exercises its prepayment option for all or some of the Bonds, in which case all or some of the liability would be derecognized at the settlement date.

Fair Value Measurement

The Company measures its investments in financial instruments, such as equities, options and other derivatives, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company values equity securities listed on a securities exchange at the official closing price reported by the exchange on which the securities are primarily traded on the date of determination. In the event that the date of determination is not a day on which the relevant exchange is open for business, such securities are valued at the official closing price reported by the exchange on the most recent business day prior to the date of determination. Exchange-traded options and securities listed on a securities exchange for which the exchange does not report an official closing price on the date of determination (other than because the relevant exchange was closed on such date) are valued at the average of the most recent "bid" and "ask" prices.

Securities that are not listed on an exchange (both equity and debt) but for which external pricing sources (such as dealer quotes or other independent pricing services) may be available are valued by the Investment Manager after considering, among other factors, such external pricing sources, recent trading activity or other information that, in the opinion of the Investment Manager, may not have been reflected in pricing obtained from external sources. The practical application of quoted market prices to portfolio positions is a function of the quoted differential in bid/offer spreads. Long and short positions generally are marked to mid-market (subject to the Investment Manager's discretion to mark such positions differently if and when deemed appropriate).

In order to value over-the-counter credit derivatives, the Investment Manager uses a third-party pricing service that obtains quotes from multiple dealers. Cleared credit derivatives (including index credit default swaps) will generally be valued using prices obtained from the clearing house that clears the majority of the volume of such credit derivative and/or as necessary, the value of a third-party pricing provider if a single clearing house does not clear the majority of such credit derivative.

Investments that have unobservable inputs are fair valued using valuation methodologies determined by the Investment Manager. The Investment Manager may choose to employ an independent third-party valuation firm to conduct valuations.

The valuation committee of the Investment Manager considers the appropriateness of the valuation methods and inputs, including information obtained after the close of markets, and may request that alternative valuation methods be applied to support the valuation arising from the methods discussed. Any material changes in valuation methods are discussed and agreed with the Board of Directors.

Offsetting of Financial Instruments

Financial assets and financial liabilities are reported gross by counterparty in the statement of financial position. It is not the Company's intention to settle financial assets and financial liabilities net of the collateral pledged to or received from counterparties.

Presented in Note 8 are the Company's derivative assets and liabilities reported by counterparty, showing the effect of netting financial assets and financial liabilities against collateral pledged to or received from the same relevant counterparties.

Functional and Presentation Currency

The Company's functional currency is the United States Dollar ("USD"), which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated, and its liquidity is managed, in USD. Therefore, USD is considered the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The presentation currency of the Company's Financial Statements is USD.

Foreign Currency Translations

Assets and liabilities denominated in non-U.S. currencies are translated into USD at the prevailing exchange rates at the reporting date. Transactions in non-U.S. currencies are translated into USD at the prevailing exchange rates at the time of the transaction.

The Company includes the portion of gains and losses on investments due to changes in foreign exchange rates with the portion due to changes in market prices of the investments based on the classification of the underlying investment in the statement of comprehensive income.

The portion of gains and losses related to the Bonds' liability (including the interest expense liability) due to changes in foreign exchange rates is included in net gain/(loss) on currency translation of the Bonds in the statement of comprehensive income.

Amounts Due To and Due From Brokers

Due from brokers consists of cash held at the Company's prime brokers, cash and securities pledged in connection with derivative contracts and amounts receivable for securities transactions that have not settled at the reporting date, if any. Cash related to securities sold, not yet purchased, is restricted until the securities are purchased. Due to brokers consists of cash received from counterparties to collateralize the Company's derivative contracts and amounts payable for securities transactions that have not settled at the reporting date, if any.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less at the time of purchase to be cash equivalents. Cash and cash equivalents in the statement of financial position is comprised of U.S. Treasury Bills and money market funds which are invested in U.S. Treasury obligations.

Investment Income/Expense

Dividend income is recognized on the date on which the investments are quoted ex-dividend and presented gross of withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to securities sold not yet purchased is recognized when the shareholders' right to receive the payment is established. Interest income and expense related to cash, collateral cash received/posted by the Company, rebate expense and borrowing costs on securities sold not yet purchased and securities lending is recognized when earned/incurred.

Net Gain or Loss on Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

The Company records its security transactions and the related revenue and expenses on a trade date basis.

Unrealized gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior years' unrealized gains and losses for financial instruments which were realized in the reporting period.

Realized gains and losses on disposals of financial instruments classified at fair value through profit or loss are calculated using the highest cost relief method (specific identification). These gains or losses represent the differences between an instrument's initial carrying amount and disposal amount, or cash payments or receipts from derivative contracts.

Professional Fees

Professional fees include, but are not limited to, expenses relating to accounting, investment valuation, administrative services, auditing, tax preparation expenses, legal fees and expenses, professional fees and expenses (including fees and expenses of investment bankers, advisers, appraisers, public and government relations firms and other consultants and experts) and investment-related fees and expenses including research, but excluding investment transaction costs.

Other Expenses

Other expenses include, but are not limited to, investment-related expenses associated with activist campaigns including expenses for: (i) proxy contests, solicitations and tender offers; (ii) compensation, indemnification and expenses of nominees proposed by the Investment Manager as directors or executives of portfolio companies; and (iii) printing and postage expenses, bank service fees, insurance expenses, and expenses relating to regulatory filings and registrations made in connection with the Company's business and investment activities.

Taxes

The Company is not subject to any income or capital gains taxes in Guernsey. The Company is subject to withholding taxes applicable to certain investment income, such as dividends.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. See Note 19 for further details.

Management Fees and Performance Fees

The Company recognizes management fees and performance fees in the period in which they are incurred in accordance with the terms of the IMA, which is an executory contract under IAS 37 as discussed in Note 3. Refer to Note 15 for detailed information regarding the calculation of both fees.

Net Assets Attributable to Management Shareholders

In accordance with IAS 32, the Company classifies its Public Shares and the Special Voting Share as equity, as shareholders do not have any rights of redemption.

Management Shares can be converted into a variable number of Public Shares based upon their net asset values as of the last day of each calendar month and are therefore classified as financial liabilities in accordance with IFRS. At no time can Management Shares be redeemed in cash at the option of the management shareholders. Net assets attributable to Management Shares, if any, are accounted for on an amortized cost basis at the net asset value calculated in accordance with IFRS. The change in the net assets attributable to Management Shares, other than that arising from share issuances, share repurchases or conversions, is recognized in the statement of comprehensive income.

As of December 31, 2020, all Management Shares were converted to Public Shares.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognized in the Financial Statements and disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have a significant effect on the amounts recognized in the Financial Statements:

Assessment of Investment Management Agreement as an executory contract

The Company classifies the IMA as an executory contract. Under paragraph 3 of IAS 37, "executory contracts" are contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent. The objective of IAS 37 is to ensure, inter alia, that appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets. The Board has determined that the IMA meets the definition of an executory contract in that: it is a contract for the performance of services, it imposes continuing obligations on each party, and it has been entered into for a renewable term.

Under the IMA, the services that the Company has contracted for consist of investment management services to be delivered by the Investment Manager. The Investment Manager has sole authority to make investments on behalf of the Company throughout the term of the IMA.

In consideration for those services, the Company has continuing obligations to pay management fees and performance fees (if any). See Note 15 - Investment Management Agreement – Management Fees, Performance Fees and Termination.

As explained in Note 15, the performance fee is made up of certain components including the Potential Offset Amount (as defined in Note 15). In the Company's judgment, these components constitute a single unit of account because no component is payable without the others being payable, the components are settled as a single amount and it is not possible to segregate the different services provided by the Company and attribute them to the different components of the performance fee.

The IMA is automatically renewable each December 31 for one year. The IMA is terminable (a) at December 31 of any year by each party upon four months' prior notice (subject, in the case of termination by the Company, to shareholder approval requiring a 66 2/3 % majority by voting power of the outstanding shares and a 66 2/3 % majority of the outstanding Public Shares, as prescribed by the Company's Articles of Incorporation) or (b) at any time if the other party liquidates, a receiver or liquidator or administrator is appointed in respect of the other party's assets or the other party commits a material breach that remains uncured for more than 30 days after notice thereof. The Company considers that its termination rights are substantive. In the event that the IMA is terminated, the Company is only liable for performance fees up to the date of termination, and the Investment Manager cannot recover any Potential Offset Amount (except to the extent that it is part of the performance fee).

In its application of IAS 37, the Board has determined that payment of performance fees is entirely dependent on performance of services under the IMA and on the Company's NAV appreciation generated by those services (subject to standard high water mark arrangements). Accordingly, those fees (including the Potential Offset Amount component of performance fees) arise and are recognized as the services are performed by the Investment Manager, and the Company's NAV appreciates. The Company accrues a provision for performance fees over the applicable period based on its NAV appreciation above the high water mark. The Board has assessed that in this manner, the Company's NAV appreciation appropriately matches the timing of recognizing the Company's obligation to pay fees that may be triggered by such NAV appreciation.

The Company also assessed whether the Potential Offset Amount gave rise to a financial liability under the requirements to record contingent settlement obligations in IAS 32 paragraph 25. The Company concluded that no financial liability arises until December 31 of each year, at which point the performance fee including the offset amount crystallizes, because the arrangements only give rise to a financial asset for the Investment Manager at that date.

Assessment of Company investment as structured entity

IFRS 12 defines a structured entity as an entity that has been designed so that voting or other similar rights of the investors are not the dominant factor in deciding who controls the entity.

PS VII Master, L.P. ("PS VII Master") operates as a co-investment vehicle invested primarily in securities of (or otherwise seeking to be exposed to the value of securities issued by) Universal Music Group N.V. ("UMG"), commenced operations on August 9, 2021 and is an affiliated investment fund. As of December 31, 2022 and December 31, 2021, the Company held an investment in PS VII Master. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company has assessed whether PS VII Master should be classified as a structured entity. The Company has considered the terms of the investment management agreement between PS VII Master and the Investment Manager along with the voting and redemption rights of the other PS VII Master investors, including their rights to remove the Investment Manager, and has determined that the dominant factor of control of PS VII Master is PS VII Master's contractual agreement with the Investment Manager. The Company, therefore, has concluded that PS VII Master is a structured entity.

The Company, Pershing Square, L.P. ("PSLP") and Pershing Square International, Ltd. ("PSINTL" and together with the Company and PSLP, the "Pershing Square Funds") wholly own Pershing Square SPARC Sponsor, LLC ("SPARC Sponsor"), a Delaware limited liability company, as non-managing members and are its only source of funding. The business and affairs of SPARC Sponsor are managed exclusively by its non-member manager, PSCM. SPARC Sponsor is the sponsor entity for Pershing Square SPARC Holdings, Ltd. ("SPARC"), a Delaware corporation, which is a newly organized company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. SPARC filed its initial Form S-1 Registration Statement ("SPARC S-1") with the SEC on November 24, 2021 and subsequently filed amendments with the most recent amendment filed on March 24, 2023. As of December 31, 2022 and December 31, 2021, the Company held an investment in SPARC Sponsor. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position. SPARC remains subject to SEC approval. No assurance can be given that SPARC will be effectuated.

Pershing Square SPARC Holdings, Ltd. ("SPARC Cayman"), a Cayman Islands exempted company and its sponsor entity, Pershing Square SPARC Sponsor Cayman, LLC ("SPARC Sponsor Cayman"), a Delaware limited liability company were previously formed for the same purpose as SPARC and SPARC Sponsor, but the Investment Manager later determined to proceed using a Delaware entity. In connection therewith, the Investment Manager determined to liquidate SPARC Cayman and SPARC Sponsor Cayman. SPARC Sponsor Cayman was wholly owned by the Pershing Square Funds as non-managing members. The business and affairs of SPARC Sponsor Cayman were managed exclusively by its non-member manager, PSCM. As of December 31, 2021, the Company held an investment in SPARC Sponsor Cayman which is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company has assessed whether SPARC Sponsor and SPARC Sponsor Cayman should be classified as structured entities. The Company has considered the terms of the limited liability company agreements of SPARC Sponsor and SPARC Sponsor Cayman and has determined that the dominant factor of control is PSCM's role as non-member manager. The Company, therefore, has concluded that SPARC Sponsor and SPARC Sponsor Cayman are structured entities.

The Pershing Square Funds wholly owned Pershing Square TH Sponsor, LLC ("PSTH Sponsor"), a Delaware limited liability company, as non-managing members and were its only source of funding. The business and affairs of PSTH Sponsor were managed exclusively by its non-member manager, PSCM. PSTH Sponsor was the sponsor entity for Pershing Square Tontine Holdings, Ltd. ("PSTH"), a Delaware corporation, which was a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. PSTH filed its initial Form S-1 Registration Statement (the "PSTH S-1") with the Securities and Exchange Commission ("SEC") on June 22, 2020 and subsequently had its Initial Public Offering ("IPO") on July 22, 2020. On July 11, 2022, PSTH announced that it would not consummate an IBC within the time period required by its charter and would redeem all of its outstanding shares of Class A common stock, effective as of the close of business on July 26, 2022. PSTH liquidated on September 27, 2022.

As of December 31, 2021, the Company held an investment in PSTH Sponsor. This investment is reflected under financial assets at fair value through profit or loss in the statement of financial position.

The Company assessed whether PSTH Sponsor should be classified as a structured entity. The Company has considered the terms of the limited liability company agreement of PSTH Sponsor and has determined that the dominant factor of control is PSCM's role as non-member manager. The Company, therefore, has concluded that PSTH Sponsor was a structured entity.

All realized and unrealized gains and losses from the Company's investments in PSTH Sponsor, PS VII Master, SPARC Sponsor Cayman and SPARC Sponsor (collectively, the "Structured Entities") are reflected in the statement of comprehensive income for the years ended 2022 and 2021, as applicable. The Company has not provided any financial or other support to these unconsolidated Structured Entities. See Note 7 for the discussion on the fair value measurement and Note 16 for related party transactions regarding the Company's investments in the Structured Entities.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined by the Investment Manager using prices obtained from counterparties or independent third-party pricing services/valuation agents. The independent third-party pricing services/valuation agents utilize proprietary models to determine fair value. The valuation agents' modeling may consider, but is not limited to, the following inputs: amount and timing of cash flows, probability assessments, volatility of the underlying securities' stock price, comparable transaction data, dividend yields and/or interest rates. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from observable current market transactions in the same instrument (without modification or repackaging) or based on available observable market data. Refer to Note 7 for the sensitivity analysis performed on significant unobservable inputs used in the valuation of Level 3 investments.

4. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The Company has assessed the impact of amendments made to IFRS 1, IFRS 3, IFRS 9, IAS 16, IAS 37 and IAS 41, and has determined that they do not affect the Company's Financial Statements. The Company has also assessed the impact of the following amendments, which have been issued but are not yet effective, and has determined that they are unlikely to affect the Company's Financial Statements.

New Pronouncement	Effective Date
IFRS 17 *Insurance Contracts*	January 1, 2023
Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current*	January 1, 2023
Amendments to IAS 8 – *Definition of Accounting Estimates*	January 1, 2023
Amendments to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	January 1, 2023

5. SEGMENT INFORMATION

In accordance with IFRS 8: Operating Segments, it is mandatory for the Company to present and disclose segmental information based on the internal reports that are regularly reviewed by the Board in order to assess each segment's performance.

Management information for the Company as a whole is provided internally to the Directors for decision-making purposes. The Board's decisions are based on a single integrated strategy and the Company's performance is evaluated on an overall basis. The Company has a portfolio of long and occasionally short investments that the Board and Investment Manager believe exhibit significant valuation discrepancies between current trading prices and intrinsic business value, often with a catalyst for value recognition. Therefore, the Directors are of the opinion that the Company is engaged in a single economic segment of business for all decision-making purposes. The financial results of this segment are equivalent to the results of the Company as a whole.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss:

As of December 31	2022	2021
Investments in securities	$ 10,578,784,192	$ 13,028,113,314
Derivative financial instruments	704,954,822	843,764,884
Financial assets at fair value through profit or loss	**$ 11,283,739,014**	**$ 13,871,878,198**

Financial liabilities at fair value through profit or loss:

As of December 31	2022	2021
Derivative financial instruments	$ 10,245,916	$ 38,846,045
Financial liabilities at fair value through profit or loss	**$ 10,245,916**	**$ 38,846,045**

Net changes in fair value of financial assets and financial liabilities through profit or loss:

For the years ended December 31	2022			2021		
	Realized	**Unrealized**	**Total Gains/(Losses)**	**Realized**	**Unrealized**	**Total Gains/(Losses)**
Financial assets at fair value through profit or loss	$ (314,840,442)	$ (2,567,580,096)	**$ (2,882,420,538)**	$ 1,057,774,573	$ 2,064,167,393	**$ 3,121,941,966**
Derivative financial instruments	2,132,750,965	(388,859,410)	**1,743,891,555**	20,596,505	(6,248,890)	**14,347,615**
Net changes in fair value	$1,817,910,523	$ (2,956,439,506)	**$ (1,138,528,983)**	$ 1,078,371,078	$ 2,057,918,503	**$ 3,136,289,581**

7. FAIR VALUE OF ASSETS AND LIABILITIES

Fair Value Hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment and considers factors specific to the asset or liability. Financial instruments are recognized at fair value and categorized in the following table based on:

Level 1 – Inputs are unadjusted quoted prices in active markets.

Level 2 – Inputs (other than quoted prices included in Level 1) are obtained directly or indirectly from observable market data at the measurement date.

Level 3 – Inputs, including significant unobservable inputs, reflect the Company's best estimate of what market participants would use in pricing the assets and liabilities at the measurement date.

Recurring Fair Value Measurement of Assets and Liabilities

(in thousands)

As of December 31	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Assets:								
Equity Securities:								
Common Stock:								
Financial Services	$ 66,031	$ –	$ –	$ 66,031	$ 154,118	$ –	$ –	$ 154,118
Hospitality	1,117,851	–	–	1,117,851	1,779,424	–	–	1,779,424
Media	2,537,908	–	–	2,537,908	2,971,449	–	–	2,971,449
Real Estate Development and Operating	1,060,794	–	–	1,060,794	1,196,897	–	–	1,196,897
Restaurant	2,727,738	–	–	2,727,738	4,008,567	–	–	4,008,567
Retail	1,804,494	–	–	1,804,494	2,341,024	–	–	2,341,024
Transportation	989,536	–	–	989,536	100,420	–	–	100,420
Preferred Stock:								
Financial Services	23,496	–	–	23,496	32,791	–	–	32,791
Investment in Affiliated Entities:								
Media	–	250,936[2]	–	250,936	–	273,045[2]	–	273,045
Special Purpose Acquisition Company	–	–	–	–	–	–	170,378[3]	170,378
Special Purpose Acquisition Rights Company	–	–	–[6]	–	–	–	–[6]	–
Derivative Contracts:								
Currency Call/Put Options	–	11,323[1]	–	11,323	–	–	–	–
Currency Forwards	–	17,650[1]	–	17,650	–	2,140[1]	–	2,140
Equity Options	–	174,893[1]	–	174,893	–	–	–	–
Forward Purchase Units:								
Special Purpose Acquisition Company	–	–	–	–	–	–	1,524[4]	1,524
Interest Rate Swaptions	–	501,089[1]	–	501,089	–	840,101[1]	–	840,101
Total	**$ 10,327,848**	**$ 955,891**	**$ –**	**$ 11,283,739**	**$ 12,584,690**	**$ 1,115,286**	**$ 171,902**	**$ 13,871,878**

Recurring Fair Value Measurement of Assets and Liabilities (continued)

(in thousands)

As of December 31	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial Liabilities:								
Derivative Contracts:								
Equity Forwards:								
Transportation	$ –	$ –	$ –	$ –	$ –	$ 12,526(5)	$ –	$ 12,526
Currency Forwards	–	10,246(1)	–	10,246	–	20,396(1)	–	20,396
Forward Purchase Units:								
Special Purpose Acquisition Company	–	–	–	–	–	–	5,924(4)	5,924
Total	**$ –**	**$ 10,246**	**$ –**	**$ 10,246**	**$ –**	**$ 32,922**	**$ 5,924**	**$ 38,846**

(1) Level 2 financial instruments include OTC currency call/put options, equity options, interest rate swaptions and currency forwards that are fair valued by the Investment Manager. The fair values of these financial instruments may reflect, but are not limited to, the following inputs: current market and contractual prices from market makers or dealers, volatilities of the underlying financial instruments, interest rates, and/or current foreign exchange forward and spot rates. The significant inputs are market observable and included within Level 2. The Investment Manager utilizes a third-party pricing service and its widely recognized valuation models, to obtain fair values of these financial instruments.

(2) These figures relate to the Company's investment in PS VII Master as of the years ended 2022 and 2021, as discussed in Note 16. For the year ended 2022 the instruments underlying the Company's investment in PS VII Master included 99.9% (2021: 98.7%) of Level 1 financial instruments, 0.0% (2021: 0.9%) of Level 2 financial instruments and 0.01% (2021: 0.4%) of other assets and liabilities that are outside the scope of IFRS 13. Due to certain restrictions on when the Company can dispose of its investment, the Investment Manager has determined that PS VII Master is a Level 2 financial instrument.

(3) This figure relates to the Company's investment in PSTH Sponsor (refer to Note 16). Substantially all of the instruments underlying the Company's investment in PSTH Sponsor are Level 3.

(4) These figures relate to the Company's investments in the Committed Forward Purchase Units and the Additional Forward Purchase Units. Refer to Note 16 for further details.

(5) Level 2 financial instruments include equity forward contracts that are fair valued by the Investment Manager using market observable inputs. The fair values of these financial instruments may reflect, but are not limited to, the following inputs: market price of the underlying security, notional amount, and/or fixed and floating interest rates.

(6) Figure relates to the Company's investment in Pershing Square SPARC Sponsor LLC. Refer to Note 16 for further details.

The Company's cash and cash equivalents and short-term receivables and payables are recorded at carrying value which approximates fair value. The Bonds, which are not included in the table of Recurring Fair Value Measurement of Assets and Liabilities, are classified as Level 1 financial liabilities and the fair values of the Bonds are discussed further in Note 18.

Some of the Company's investments in Level 1 securities represent a significant portion of the Company's portfolio. If such investments were sold or covered in their entirety, it might not be possible to dispose of them at the quoted market price which IFRS requires to be used in determining fair value.

The Directors have considered the impact of climate change on the valuation of the Company's investments. In line with IFRS the Company's investments are valued at fair value, which for substantially all of the Company's investments are, or incorporate, quoted prices for investments in active markets at December 31, 2022 and therefore reflect market participants' view of climate change risk. Climate change risk does not have a material impact on the value of the Company's other investments.

Level 3 Transfers

Transfers between levels during the year are determined and deemed to have occurred at each financial statement reporting date. There were no transfers into or out of Level 3 fair value measurements since the last financial statement reporting date.

Level 3 Reconciliation

Level 3 investments are fair valued using valuation methodologies determined by the Investment Manager. In applying its valuation methods, the Investment Manager utilizes information including, but not limited to the following: amount and timing of cash flows, probability assessments, volatility of the underlying securities' stock price, comparable transaction data, dividend yields and/or interest rates. The Investment Manager employed an independent third-party valuation firm to conduct valuations for the Forward Purchase Units and the Sponsor Warrants held by PSTH Sponsor (each as disclosed in Note 16). The independent third-party valuation firm provided the Investment Manager with a written report documenting their recommended valuations as of the determination date.

The following table summarizes the change in the carrying amounts associated with Level 3 investments for the years ended 2022 and 2021.

	Forward Purchase Units	PSTH Sponsor	SPARC Sponsor Cayman	SPARC Sponsor	Total
Balance at December 31, 2021	$ (4,399,803)	$ 170,378,058	$ –	$ –	$ 165,978,255
Purchase of SPARC Cayman common shares	–	–	815,200	–	815,200
Purchase of SPARC common shares	–	–	–	3,297,270	3,297,270
Contribution to sponsor entity	–	479	–	5,025	5,504
Distribution from Class B shares	–	(14,175,871)	–	–	(14,175,871)
Net gain/(loss)	4,399,803	(156,202,666)	(815,200)	(3,302,295)	(155,920,358)
Balance at December 31, 2022	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

	Forward Purchase Units	PSTH Sponsor	SPARC Sponsor Cayman	SPARC Sponsor	Total
Balance at December 31, 2020	$ 536,440,242	$ 216,765,432	$ –	$ –	$ 753,205,674
Purchase of SPARC Cayman ordinary shares	–	–	1,493,740	–	1,493,740
Purchase of SPARC ordinary shares	–	–	–	205,880	205,880
Net gain/(loss)	(540,840,045)	(46,387,374)	(1,493,740)	(205,880)	(588,927,039)
Balance at December 31, 2021	**$ (4,399,803)**	**$ 170,378,058**	**$ –**	**$ –**	**$ 165,978,255**

As disclosed in the table above, the Company had net losses of $155,920,358 and $588,927,039 for the years ended December 31, 2022 and December 31, 2021, respectively, from Level 3 securities. A majority of the net loss in 2022 was attributable to the Company's investment in PSTH Sponsor due to the liquidation of PSTH as fully described in Note 16. The net loss in 2021 was primarily driven by changes in the market value of the Company's investments in PSTH Sponsor and the Forward Purchase Units due to a decrease in the price of PSTH's publicly traded Class A common stock. PSTH Class A common stock traded lower from its price of $27.72 on December 31, 2020 to $19.72 on December 31, 2021. The Company had net gains of $694,217,768 in 2020 from its investments in PSTH Sponsor and the Forward Purchase Units. The total net loss related to PSTH instruments for the Company was $44.8 million.

Quantitative Information of Significant Unobservable Inputs – Level 3

The table below summarizes quantitative information about the significant unobservable inputs used in the fair value measurement and the valuation processes used by the Company for Level 3 securities as of December 31, 2021. As of December 31, 2022, the Company's only Level 3 security was its investment in SPARC Sponsor.

As of December 31, 2021	Financial Assets/ Liabilities	Fair Value	Valuation Techniques	Unobservable Input	Input
Forward Purchase Units:					
Committed Forward Purchase Units	Financial Liability	$ (5,923,858)	Black-Scholes pricing model	Discount for Lack of Marketability	1%
Additional Forward Purchase Units	Financial Asset	$ 1,524,055	Black-Scholes pricing model	Discount for Lack of Marketability	45%
				Discount for Probability of Exercise	79.8%
Investment in PSTH Sponsor:					
Sponsor Warrants	Financial Asset	$ 170,376,263	Black-Scholes pricing model	Volatility	25%
				Illiquidity Discount	20%
				Probability of Warrant Renegotiation	18.8%

The significant unobservable inputs listed above as of December 31, 2021 were reflective of the rights and obligations associated with each investment.

The Discount for Lack of Marketability ("DLOM") for the Committed Forward Purchase Units related to an embedded lock-up (the "FPA Lock-Up"), whereby the securities underlying the Committed Forward Purchase Units could not be sold for 180 days post the completion of PSTH's Initial Business Combination ("IBC"). As a result of the FPA Lock-Up, the DLOM was 1% as of December 31, 2021.

The Additional Forward Purchase Units were subject to the same FPA Lock-Up and had embedded optionality such that they could have been exercised at any amount up to $2 billion. This additional feature, combined with the FPA Lock-Up, resulted in a DLOM of 45% as of December 31, 2021. The Discount for Probability of Exercise was a direct result of the embedded option component. It was modeled to reflect the possible exercise of values between nil and $2 billion, resulting in a discount of 79.8% as of December 31, 2021.

The Sponsor Warrants had three significant unobservable inputs: (i) Volatility, (ii) Illiquidity Discount and (iii) Probability of Warrant Renegotiation. The volatility of 25% as of December 31, 2021 reflected the anticipated implied volatility of the potential target company from PSTH's IBC over the Sponsor Warrants' 10-year term. The Illiquidity Discount of 20% as of December 31, 2021 related to an embedded lock-up, whereby the securities underlying the Sponsor Warrants could not have been sold for three years post the completion of PSTH's IBC. The Probability of Warrant Renegotiation was a discount based on the probability that the Sponsor Warrants would be restructured at the time of PSTH's IBC. The discount of 18.8% as of December 31, 2021 was representative of the average of sponsor incentive restructurings and founder stock forfeitures in completed SPAC transactions.

Sensitivity Analysis to Significant Changes in Unobservable Inputs with Level 3 Hierarchy

The table below represents the significant unobservable inputs used in the fair value measurement of Level 3 investments together with a quantitative sensitivity analysis as of December 31, 2021.

2021	Financial Assets/ Liabilities	Unobservable Input	Sensitivity Used	Effect on Fair Value
Forward Purchase Units:				
Committed Forward Purchase Units	Financial Liability	Discount for Lack of Marketability	+1%/-1%	$60,461 / ($60,461)
Additional Forward Purchase Units	Financial Asset	Discount for Lack of Marketability	+5%/-5%	$(138,566) / $138,566
		Discount for Probability of Exercise	+5%/-5%	$(376,353) / $376,353
Investment in PSTH Sponsor:				
		Volatility	+5%/-5%	$34,608,359 / $(35,703,875)
Sponsor Warrants	Financial Asset	Illiquidity Discount	+5%/-5%	$(10,648,536) / $10,648,536
		Probability of Warrant Renegotiation	+3%/-3%	$(6,295,477) / $6,295,477

8. DERIVATIVE CONTRACTS

In the normal course of business, the Company enters into derivative contracts for investment and hedging purposes. These instruments are subject to various risks, similar to non-derivative instruments, including market, credit and liquidity risk (see Note 13). The Company manages these risks on an aggregate basis along with other risks associated with its investing activities as part of its overall risk management strategy. All derivatives are reported at fair value (as described in Note 2) in the statement of financial position. Changes in fair value are reflected in the statement of comprehensive income. A description of the derivatives traded by the Company is below.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument, commodity or currency at a contracted price, either at a fixed future date or at any time within a specified period.

The Company purchases and sells call and put options through regulated exchanges and OTC markets. Options purchased by the Company provide the Company with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option, depending on the option's style of exercise.

The Company is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Company provide the purchaser (the party facing the Company) the opportunity to purchase from or sell to the Company the underlying asset at an agreed-upon value. In writing an option, the Company bears the market risk of an unfavorable change in the asset underlying the written option. The exercise by the purchaser of an option written by the Company could result in the Company buying or selling a financial instrument at a price higher or lower than the current market value, respectively. The maximum loss for written put options is limited to the number of contracts written and the related strike prices, and the maximum loss for written call options (which could be unlimited) is contingent upon the market price of the underlying asset at the exercise date. At December 31, 2022 and December 31, 2021, the Company had no written options.

Swaptions

A swaption is an option contract that provides its owner the right, but not the obligation, to enter into a previously agreed-upon swap on a future date or to cancel an existing swap in the future. A payer swaption is an option to enter into a swap as a fixed-rate payer and receive the floating rate. A receiver swaption is an option to enter into a swap as a fixed-rate receiver and pay the floating rate.

Equity Forwards

An equity forward contract involves a commitment by the Company to purchase or sell equity securities for a predetermined price, with payment and delivery of the equity securities at a predetermined future date. An equity forward embeds a cost of carry (interest) charge payable by the Company (when the Company commits to purchase) or receivable by the Company (when the Company commits to sell) the underlying securities.

Currency Forwards

A currency forward contract is a commitment to purchase or sell a currency on a future date at a negotiated forward exchange rate. Currency forward contracts are used for trading purposes and may hedge the Company's exposure to changes in currency exchange rates on its portfolio investments.

Credit Default Swaps

Credit default swap contracts involve an arrangement between two parties, which allows one party to protect against losses incurred as a result of a specified credit event relating to an underlying reference obligation or, in the case of index credit default swaps, a basket of reference obligations. The protection buyer will pay a fixed coupon in return for a payment by the other party, the protection seller, contingent upon a specified credit event occurring. The protection buyer pays the protection seller a quarterly fixed coupon. If a specified credit event occurs, there is an exchange of cash flows and/or securities designed so that the net payment to the protection buyer reflects the loss incurred by holders of the referenced obligation in the event of its default.

In the case of OTC credit default swaps, which are usually on single reference entities, the ISDA agreement establishes the nature of the credit event, and such events may include bankruptcy and failure to meet payment obligations when due. For cleared credit default swaps, the terms incorporate a uniform set of definitions published by ISDA. At the point in time when a credit default swap contract is entered into, the parties thereto agree that the contract will be governed by these definitions and that the determinations of the Credit Derivatives Determinations Committees will be binding on the contract.

The following table shows the fair values of derivative financial instruments recorded as assets or liabilities as of December 31, 2022 and December 31, 2021, together with their average notional amounts which is indicative of the trading activity throughout the year. The notional amount, which is recorded on a gross basis, is the amount of a derivative's underlying asset, reference rate or index value, and is the basis upon which changes in the value of derivatives are measured.

Fair Value of Derivative Financial Instruments

As of December 31	2022		2021	
	Fair Value	Notional[1]	Fair Value	Notional[2]
Derivatives primarily held for trading purposes				
Assets				
Currency Call/Put Options	$ 11,323,089	$ 1,240,304,309	$ –	$ –
Forward Purchase Units	–	–	1,524,055	98,943,901
Total Assets	**$ 11,323,089**	**$ 1,240,304,309**	**$ 1,524,055**	**$ 98,943,901**
Liabilities				
Equity Forwards	$ –	$ –	$ 12,525,601	$ 582,170,853
Forward Purchase Units	–	–	5,923,858	910,139,710
Total Liabilities	**$ –**	**$ –**	**$ 18,449,459**	**$ 1,492,310,563**
Derivatives primarily held for risk management purposes				
Assets				
Currency Forwards	$ 17,649,711	$ 856,491,354	$ 2,139,465	$ 168,183,471
Equity Options	174,892,671	559,615,519	–	–
Interest Rate Swaptions	501,089,351	6,826,965,494	840,101,364	64,583,936,400
Total Assets	**$ 693,631,733**	**$ 8,243,072,367**	**$ 842,240,829**	**$ 64,752,119,871**
Liabilities				
Credit Default Swaps	$ –	$ –	$ –	$ –
Currency Forwards	10,245,916	228,135,733	20,396,586	1,322,078,062
Index Credit Default Swaps	–	–	–	–
Total Liabilities	**$ 10,245,916**	**$ 228,135,733**	**$ 20,396,586**	**$ 1,322,078,062**

(1) The Company also traded Commodity Options, Equity Forwards and Forward Purchase Units during 2022 but did not hold these instruments as of December 31, 2022 and the average notional amounts traded were $21.3 million, $411.4 million and $508.6 million, respectively.

(2) The Company also traded Currency Call/Put Options, Credit Default Swaps and Index Credit Default Swaps during 2021 but did not hold these instruments as of December 31, 2021 and the average notional amounts traded were $1.5 million, $21.8 million and $5,803.9 million, respectively.

The table below summarizes gains or losses from the Company's derivative trading activities for December 31, 2022 and December 31, 2021 that are included in investment gains and losses.

Derivatives for Trading Activities	Year Ended 2022 Net Gain/(Loss)	Year Ended 2021 Net Gain/(Loss)
Commodity Options	$ (21,770,349)	$ –
Credit Default Swaps	–	(299,742)
Currency Call/Put Options	(89,346,695)	(243,466)
Currency Forwards	177,311,023	6,928,349
Equity Forwards	4,557,736	(12,716,699)
Equity Options	59,317,597	(13,062,361)
Forward Purchase Units	4,399,803	(540,840,045)
Index Credit Default Swaps	–	(102,711,268)
Interest Rate Swaptions	1,609,422,440	686,185,259
Total Return Swaps	–	(8,892,412)
Total Net Gain/(Loss)	**$ 1,743,891,555**	**$ 14,347,615**

Offsetting of Derivative Assets and Liabilities

IFRS 7 requires an entity to disclose information about offsetting rights and related arrangements. The disclosures provide users with information to evaluate the effect of netting arrangements on an entity's financial position. The disclosures are required for all recognized financial instruments that could be offset in accordance with IAS 32 Financial Instruments Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with IAS 32.

The table below displays the amounts by which the fair values of derivative assets and liabilities could be offset in the statement of financial position as a result of counterparty netting. Collateral pledged/received represents amounts by which derivative assets and liabilities could have been further offset for financial statement presentation purposes if the Company did not include collateral amounts in due from/to brokers in the statement of financial position.

Offsetting of Derivative Assets and Liabilities

				Amounts Not Offset in the Statement of Financial Position		
As of December 31, 2022	Gross Amounts[1]	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position[1]	Financial Instruments (Policy Election)[2]	Financial Collateral Pledged / (Received)[3,4]	Net Amount
Derivative Assets						
Counterparty A	$ 251,620,138	$ –	$ 251,620,138	$ –	$ (244,010,000)	$ 7,610,138
Counterparty D	276,196,921	–	276,196,921	–	(269,480,000)	6,716,921
Counterparty E	155,174,348	–	155,174,348	–	(152,820,000)	2,354,348
Counterparty F	4,034,895	–	4,034,895	–	(3,980,000)	54,895
Counterparty G	278,809	–	278,809	–	(278,809)	–
Total	**$ 687,305,111**	**$ –**	**$ 687,305,111**	**$ –**	**$ (670,568,809)**	**$ 16,736,302**
Derivative Liabilities						
Counterparty H	$ –	$ –	$ –	$ –	$ 505,308,351	$ 505,308,351
Total	**$ –**	**$ –**	**$ –**	**$ –**	**$ 505,308,351**	**$ 505,308,351**

As of December 31, 2021	Gross Amounts[(1)]	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position[(1)]	Amounts Not Offset in the Statement of Financial Position: Financial Instruments (Policy Election)[(2)]	Amounts Not Offset in the Statement of Financial Position: Financial Collateral Pledged / (Received)[(3)]	Net Amount
Derivative Assets						
Counterparty A	$ 326,527,964	$ –	$ 326,527,964	$ –	$ (289,720,000)	$ 36,807,964
Counterparty B	513,573,400	–	513,573,400	–	(485,154,594)	28,418,806
Total	**$ 840,101,364**	**$ –**	**$ 840,101,364**	**$ –**	**$ (774,874,594)**	**$ 65,226,770**
Derivative Liabilities						
Counterparty C	$ (12,525,601)	$ –	$ (12,525,601)	$ –	$ 12,525,601	$ –
Total	**$ (12,525,601)**	**$ –**	**$ (12,525,601)**	**$ –**	**$ 12,525,601**	**$ –**

(1) As of December 31, 2022, the amounts of derivative contracts presented in the preceding table differ from the amounts reported in the statement of financial condition as a result of derivative assets and liability contracts in the amounts of $17,649,711 and $10,245,916 (2021: $3,663,520 and $26,320,444), respectively, which are not subject to enforceable ISDA master netting arrangements.

(2) Amounts related to ISDA master netting agreements, determined by the Company to be legally enforceable in the event of default and if certain other criteria are met in accordance with applicable offsetting accounting guidance, but were not offset due to the Company's accounting policy.

(3) Amounts related to ISDA master netting agreements and collateral agreements determined by the Company to be legally enforceable in the event of default, but were not offset due to the Company's accounting policy. The collateral amounts may exceed the net amounts presented in the statement of financial condition. Where this is the case, the collateral pledged/received is limited to the net amounts of financial assets and liabilities with that counterparty. As of December 31, 2022, the Company received additional collateral of $101,191 (2021: $144,514,399) related to independent amounts and/or valuation differences with the counterparty, not presented in the table above.

(4) The Company is subject to Uncleared Margin Rules, requiring the Company to post initial margin to individual third-party accounts custodied at a bank separate from the counterparty with which the instruments are traded. The Company is subject to insolvency risk at the bank where these third-party accounts are custodied. The collateral posted to the Company's third-party accounts is represented by "Counterparty H". The Company also received collateral from its counterparties into tri-party accounts at the same bank. The securities posted to these accounts are only accessible in the event of counterparty default. As of December 31, 2022, the value of securities posted to the tri-party accounts was $1.13 billion (2021: nil), which exceeded the Company's net exposure to its counterparties.

9. TRADE AND OTHER RECEIVABLES/PAYABLES

The following is a breakdown of the Company's trade and other receivables/payables as stated in the statement of financial position.

As of December 31	2022	2021
Trade and other receivables		
Dividends receivable	$ 12,697,932	$ 9,785,475
Prepaids and other receivables	879,622	471,807
Interest receivable	415,971	36,706
	$ 13,993,525	**$ 10,293,988**

As of December 31	2022	2021
Trade and other payables		
Other payables	$ 2,937,719	$ 1,840,614
Interest payable	1,758,370	53,911
Settlement of share buybacks	1,483,327	–
Performance fees payable	–	462,597,488
	$ 6,179,416	**$ 464,492,013**

10. CASH AND CASH EQUIVALENTS

The following is a breakdown of the Company's cash and cash equivalents as stated in the statement of financial position.

As of December 31	2022	2021
Cash and cash equivalents		
U.S. Treasury money market funds	$ 1,134,157,944	$ 1,767,776,549
U.S. Treasury Bills	13,284,548	–
Cash	735	–
	$ 1,147,443,227	**$ 1,767,776,549**

As of December 31, 2022, money market fund investments in Goldman Sachs Financial Square Treasury Instruments Fund and BlackRock Liquidity Funds Treasury Trust Fund had fair values of $1,083,858,632 (2021: $1,223,175,876) and $50,299,312 (2021: $544,600,673), respectively.

11. SHARE CAPITAL

Authorized and Issued Capital

The Board has general and unconditional authority to issue an unlimited number of shares (or options, warrants or other rights in respect of shares). All of the Company's share classes participate pro-rata in the profits and losses of the Company based upon the share class's ownership of the Company at the time of such allocation.

The Company had 190,858,442 Public Shares (2021: 199,120,882) and the Special Voting Share outstanding as of December 31, 2022. The Company also held 20,098,308 Public Shares in Treasury (2021: 11,835,868) for a total of 210,956,750 Public Shares in issue (2021: 210,956,750) as of December 31, 2022.

The Company's Articles of Incorporation, in accordance with the Listing Rules, incorporate pre-emption rights in favor of existing shareholders on the issue or sale from treasury of new equity securities for cash (or to issue any rights to subscribe for or convert equity securities into ordinary shares of the Company). At the 2022 Annual General Meeting, the Company proposed and shareholders passed a special resolution to approve the disapplication of the pre-emption rights contained in the Articles of Incorporation so that the Board has the authority to allot and issue (or sell from treasury) up to 19,912,088 Public Shares (equal to 10% of Public Shares outstanding as at the latest practicable date prior to the date of publication of the 2022 Notice of the Annual General Meeting). Such disapplication for issuances of 10% or less of outstanding equity is commonly requested by issuers listed on the LSE. The Company intends to propose the same special resolution at the 2023 Annual General Meeting.

In order to maintain the status of the Company as a foreign private issuer under U.S. securities law and regulations, the Company has issued a Special Voting Share to PS Holdings Independent Voting Company Limited ("VoteCo"), a Guernsey limited liability company. The Special Voting Share at all times carries 50.1% of the aggregate voting power in the Company (except for certain matters set forth in the Listing Rules on which it may not vote). VoteCo's organizational documents require it to vote in the interest of the Company's shareholders as a whole. The Investment Manager has no affiliation with VoteCo. The members of the VoteCo board of directors are independent from the Investment Manager and have no interest in the Company or the Investment Manager. VoteCo is wholly owned by a trust established for the benefit of one or more charitable organizations outside of the United States, currently the Breast Cancer Society of Canada.

Lock-up

In connection with the Company's IPO, Mr. Ackman and selected partners of the Investment Manager have each entered into a lock-up arrangement with the Company (the "Lock-Up Deed") whereby their aggregate Management Shares held at the time of the IPO are subject to a lock-up of 10 years commencing from October 1, 2014, other than sales of Management Shares (i) required to pay taxes on income generated by the Company; (ii) required due to regulatory constraints; or (iii) following separation of employment from the Investment Manager. Management Shares subject to the Lock-Up Deed may from time to time be transferred to affiliates, provided that the transferee agrees to be subject to the remaining lock-up period. On August 9, 2018, the Company amended the Lock-Up Deed to clarify that parties to the Lock-Up Deed may sell the specific Management Shares they held at the time of the IPO, so long as they continue to hold at least as many Management Shares in the aggregate as they held at the time of the IPO (or, if the Management Shares have been converted to Public Shares, so long as they hold at least as many Public Shares as such Management Shares were converted into). Following the conversion of all Management Shares into Public Shares on December 31, 2020, 7,950,974 Public Shares remain subject to the Lock-Up Deed as of December 31, 2022 and December 31, 2021.

Share Conversion

Subject to the terms of the Lock-Up Deed, holders of Management Shares are entitled to convert Management Shares into Public Shares and persons who are eligible to hold Management Shares are entitled to convert Public Shares into Management Shares, on a NAV-for-NAV basis at each month end.

During the year ended December 31, 2022 and December 2021, there were no conversions between share classes.

Voting Rights

The holders of Public Shares have the right to receive notice of, attend and vote at general meetings of the Company. Public Shares held in Treasury do not have voting rights.

Each Public Share and Management Share, if any, carries such voting power so that the aggregate issued number of Public Shares and Management Shares carries 49.9% of the total voting power of the aggregate number of voting shares. Each Public Share carries one vote and each Management Share carries such voting power so that the total voting power of the Public Shares and Management Shares are pro-rated in accordance with their respective net asset values. The Special Voting Share carries 50.1% of the aggregate voting power in the Company. The Special Voting Share and the Management Shares may not vote on certain matters specified in the Listing Rules.

Specified Matters

In order to comply with the Listing Rules, the Company was required to make certain revisions to its shareholder voting structure. The Listing Rules permit only holders of the Public Shares to vote on certain matters (the "Specified Matters").

Each of the Specified Matters is set forth in the Listing Rules.

Distributions

The Board may at any time declare and pay dividends (or interim dividends) based upon the financial position of the Company. No dividends shall be paid in excess of the amounts permitted by the Companies (Guernsey) Law, 2008 and without the prior consent of the Board and the Investment Manager.

On February 13, 2019, the Company initiated a quarterly interim dividend of $0.10 per Public Share, which remained in effect until March 28, 2022 when the Company announced an increase to $0.125 per Public Share for the remainder of the calendar year 2022. The Company's intended policy in future years is to pay quarterly dividends in an amount determined by multiplying the average NAV per Public Share of all trading days in December of the prior year by 0.25%, subject to a cap on the total dividends paid for the year of 125% of the average of the total dividends paid in each of the previous three years. Once the dividend is set for a specific year, the Company does not intend to decrease the dividend in future years, even if the NAV per Public Share were to decline. On January 31, 2023, the Company announced a quarterly dividend of $0.1307 per Public Share for 2023.

A proportionate quarterly dividend will be paid per Management Share and the Special Voting Share, based on their respective net asset values per share. Dividends will be paid in U.S. Dollars unless a shareholder elects to be paid in GBP. Shareholders may also elect to reinvest cash dividends into Public Shares through a DRIP administered by an affiliate of the Company's registrar. Further information regarding the dividend, including the anticipated payment schedule and how to make these elections, is available at https://pershingsquareholdings.com/psh-dividend- information.

Each dividend is subject to a determination that after the payment of the dividend the Company will continue to meet the solvency requirements under Guernsey law, and that, in accordance with the indentures governing the Bonds, the Company's total indebtedness will be less than one third of the Company's total capital. The Board may determine to modify or cease paying the dividend in the future.

In the year ended December 31, 2022, the Company paid dividends of $93,271,012, a higher amount than it paid in the year ended December 31, 2021 of $79,650,896 due to an increase in the quarterly dividend beginning in the second quarter of 2022.

Capital Management

The Company's general objectives for managing capital are:

- To maximize its total return primarily through the capital appreciation of its investments;
- To minimize the risk of an overall permanent loss of capital; and
- To continue as a going concern.

To the extent the Investment Manager deems it advisable and provided that there are no legal, tax or regulatory constraints, the Company is authorized to manage its capital through various methods, including, but not limited to: (i) repurchases of Public Shares and (ii) further issuances of shares, provided that the Board only intends to exercise its authority to issue new shares if such shares are issued at a value not less than the estimated prevailing NAV per share (or under certain other specified circumstances).

At the 2022 Annual General Meeting, shareholders renewed the Company's authority to engage in share buybacks up to a maximum of 14.99% of the Public Shares then outstanding.

The Company announced share buyback programs in May and July of 2022 on the London Stock Exchange and Euronext Amsterdam (the "2022 Share Buyback Programs") of $100 million or for up to 10 million of the Company's outstanding Public Shares and $200 million or for up to 20 million of the Company's outstanding Public Shares, respectively. The Company appointed Jefferies International Limited as the buyback agent. As of December 31, 2022, 8,262,440 shares had been repurchased for $263.9 million at an average discount of 32.9%, representing 88.0% of the 2022 Share Buyback Programs. There were no share buybacks in 2021. All Public Shares repurchased were held in Treasury. Since the Company's first buyback program in May 2017, including the Company's May 2018 tender offer, the Company has repurchased a total of 59,096,679 Public Shares for $1.1 billion at an average discount of 28.1% through December 31, 2022.

The Company intends to propose that shareholders renew its general share buyback authority at the 2023 Annual General Meeting to allow the Company to engage in share buybacks for up to a maximum of 14.99% of the Public Shares outstanding. If approved by shareholders and depending on market conditions, the Company's available capital and the considerations described in "Discount to NAV" on pages 33-34, the Company may decide to utilize the share buyback authority to make further acquisitions of Public Shares in the market.

As discussed on page 91 under "Lock-up", the Investment Manager imposed a 10-year lock-up on certain holders of Management Shares at the time of the IPO, subject to certain exceptions. This lock-up does not affect capital resources available to the Company.

The Public Shares, Special Voting Share and Treasury Shares transactions for the years ended December 31, 2022 and December 31, 2021 were as follows:

	Public Shares	Special Voting Share	Treasury Shares
As of December 31, 2020	**199,120,882**	**1**	**11,835,868**
As of December 31, 2021	**199,120,882**	**1**	**11,835,868**
Share Buybacks	(8,262,440)	–	8,262,440
As of December 31, 2022	**190,858,442**	**1**	**20,098,308**

12. INTEREST INCOME AND EXPENSE

The following is a breakdown of the Company's interest income and expense as stated in the statement of comprehensive income.

Interest Income	Year Ended 2022	Year Ended 2021
U.S. Treasury Bills	$ 9,471,750	$ –
Collateral balances	766,030	85,136
Cash at prime brokers	43,374	–
Securities lending	–	32,223
	$ 10,281,154	**$ 117,359**

Interest Expense	Year Ended 2022	Year Ended 2021
Bonds coupon expense	$ 87,734,757	$ 99,901,785
Collateral balances	12,020,882	1,588,710
Amortization of Bonds issue costs incurred as finance costs	3,304,217	3,908,950
Amortization of Bonds original issue discount incurred as finance costs	344,474	89,360
Cash or debit balance at prime brokers	16,207	4,329
	$ 103,420,537	**$ 105,493,134**

13. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risk Mitigation

The Investment Manager does not use formulaic approaches to risk management. Instead, risk management is integrated into the portfolio management process. The primary risk management tool is extensive research completed by the Investment Manager prior to an initial investment. The Investment Manager defines investment risk as the probability of a permanent loss of capital rather than price volatility. Factors considered by the Investment Manager in assessing long investment opportunities include, but are not limited to:

- The volatility/predictability of the business;
- Its correlation with macroeconomic factors;
- The company's financial leverage;
- The defensibility of the company's market position; and
- Its discount to intrinsic value.

The Investment Manager believes that the acquisition of a portfolio of investments, when acquired at a large discount to intrinsic value, provides a margin of safety that can mitigate the likelihood of an overall permanent loss of the Company's capital. The primary risks in the Company's portfolio are company-specific risks which are managed through investment selection and due diligence.

The Investment Manager does not have a formulaic approach in evaluating correlations between investments, but is mindful of sector and industry exposures and other fundamental correlations between the businesses in which the Company invests.

The Investment Manager believes that an important distinguishing factor about the Company's portfolio is that it does not generally use margin leverage.

At times, the Investment Manager has made investments that, due to the circumstances of the investment (e.g., the highly leveraged nature of the businesses or assets, the relative illiquidity of the investment, and/or the structure of the Company's investment), have a materially greater likelihood of a potential permanent loss of capital for the Company. In light of this greater risk, the Investment Manager generally requires the potential for a materially greater reward if successful, and sizes the investments appropriately.

Refer to Principal Risks and Uncertainties (which are explicitly incorporated by reference into these Notes to Financial Statements) for further information regarding principal risks faced by the Company.

Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Company's derivatives and investments held as of December 31, 2022 are presented in the Condensed Schedule of Investments on pages 110-111 (which is explicitly incorporated by reference into these Notes to Financial Statements). Derivative trading activities are discussed in detail in Note 8.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. Generally, most financial assets decline in value when interest rates rise and increase in value when interest rates decline. While nearly every one of the Company's investments is exposed to the economy to some degree, the Investment Manager attempts to identify companies for which increases or decreases in interest rates are not particularly material to the investment thesis. The Company does not generally hedge its interest rate exposure as the Investment Manager does not believe that, absent the potential for asymmetric profits, hedging interest rate risk is a prudent use of capital. The Company purchased interest rate swaptions throughout 2021 and 2022, as the Investment Manager identified an attractive investment opportunity to hedge the risk of rising interest rates with a potential asymmetric payoff.

The following table illustrates the Company's exposure to U.S. and Japanese interest rates from its investment in interest rate swaptions as of December 31, 2022 and December 31, 2021. The analysis calculates the effect of a reasonably possible percentage change to the underlying interest rates and its effect on the Company's profit or loss with all other variables held constant.

Interest Rate (2022)	Exposure	Change in Interest Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
U.S. 30 Year Treasury	$ 330,721,975	+17%	$ 529,913,058
U.S. 30 Year Treasury	$ 330,721,975	-17%	$ (257,467,646)
JPY 10 Year Treasury	$ 170,367,376	+29%	$ 56,824,350
JPY 10 Year Treasury	$ 170,367,376	-29%	$ (30,310,687)

Interest Rate (2021)	Exposure	Change in Interest Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
U.S. 2 Year Treasury	$ 732,212,727	+103%	$ 1,115,800,750
U.S. 2 Year Treasury	$ 732,212,727	-103%	$ (593,265,258)
U.S. 10 Year Treasury	$ 107,888,637	+30%	$ 108,753,168
U.S. 10 Year Treasury	$ 107,888,637	-30%	$ (69,228,652)

As of December 31, 2022 and December 31, 2021 cash and cash equivalents equaled $1,147,443,227 and $1,767,776,549, respectively. The Company did not perform a sensitivity analysis on cash and cash equivalents as it would have no significant impact on its net assets.

The Bonds have no interest rate risk as the interest rates are fixed and they are carried at amortized cost.

Currency Risk

The Company invests in financial instruments and enters into transactions that are denominated in currencies other than USD. Consequently, the Company’s financial assets or liabilities denominated in currencies other than USD are exposed to the risk that the exchange rate of USD relative to other currencies may change in a manner that has an adverse effect on their fair value. In addition, portfolio companies with foreign operations are also exposed to currency risk, which may adversely affect their valuation.

The Company primarily utilizes forward exchange contracts and currency options to hedge currency risk, and it may invest in such instruments if the Investment Manager identifies an investment opportunity with the potential for asymmetric profits. Also refer to the Condensed Schedule of Investments on pages 110-111 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details of the Company’s financial assets and liabilities.

The following tables show the currencies to which the Company had significant exposure at December 31, 2022 and December 31, 2021 on its financial assets and financial liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against USD on equity and on profit or loss with all other variables held constant.

Currency (2022)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 26,643,987	+6%	$ 929,470
CAD	$ 26,643,987	-6%	$ (4,153,406)
EUR	$ 336,354,321	+7%	$ 26,749,357
EUR	$ 336,354,321	-7%	$ (8,610,863)
JPY	$ 103,602,449	+7%	$ 6,860,861
JPY	$ 103,602,449	-7%	$ (6,610,539)

Currency (2021)	Net Foreign Currency Exposure	Change in Currency Rate	Effect on Net Assets Attributable to all Shareholders and on Profit/(Loss) for the Year
CAD	$ 6,082,937	+6%	$ 3,540,366
CAD	$ 6,082,937	-6%	$ 2,877,565
EUR	$ (8,084,809)	+7%	$ 1,542,447
EUR	$ (8,084,809)	-7%	$ (13,463,985)

Equity Price Risk

The Company's portfolio is highly concentrated, with a significant proportion of its capital in one or a limited set of investments. A substantial majority of the Company's portfolio is typically allocated to 8 to 12 core holdings usually comprised of highly liquid, listed large cap North American companies. Because the portfolio is highly concentrated and primarily invested in public equities (or derivative instruments which reference public equities), fluctuations in equity prices are a significant risk to the portfolio. Refer to the Company Performance on page 2, Investment Manager's Portfolio Update on pages 16-21 and the Condensed Schedule of Investments on pages 110-111 (each of which is explicitly incorporated by reference into these Notes to Financial Statements) for quantitative and qualitative discussion of the Company's portfolio and additional details regarding the Company's financial assets and financial liabilities.

The following table estimates the effect on the Company's net assets due to a possible change in equity prices with all other variables held constant.

	% Change in Net Assets Attributable to all Shareholders
Change in Equity Price (2022)	
+9%	+10%
-9%	-10%

	% Change in Net Assets Attributable to all Shareholders
Change in Equity Price (2021)	
+11%	+14%
-11%	-14%

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by geographical distribution (based on issuer's place of primary listing or, if not listed, place of domicile).

As of December 31	2022	2021
North America	74%	75%
Europe	26%	25%
Total	**100%**	**100%**

The following table analyzes the Company's concentration of equity price risk in the Company's equity portfolio by industry sectors:

As of December 31	2022	2021
Media	26 %	25 %
Restaurant	26 %	31 %
Retail	17 %	18 %
Hospitality	11 %	14 %
Real Estate Development and Operating	10 %	9 %
Transportation	9 %	1 %
Financial Services	1 %	1 %
Special Purpose Acquisition Company	–	1 %
Special Purpose Acquisition Rights Company	–	–
Total	**100%**	**100%**

If the Company holds a short position, it represents obligations of the Company to deliver the specified securities and, thereby, create a liability to purchase the security in the open market at prevailing prices. Accordingly, such transactions may result in additional risk as the amount needed to satisfy the Company's obligations may exceed the amount recognized in the statement of financial position.

Liquidity Risk

The Company's policy and the Investment Manager's approach to managing liquidity are to ensure, as much as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressful market conditions. The Company invests primarily in liquid, large-capitalization securities which, under normal market conditions, are readily convertible to cash. Less liquidity is tolerated in situations where the risk/reward trade-off is sufficiently attractive to justify a greater degree of illiquidity.

The Company's portfolio investments may be subject to contractual or regulatory restrictions on trading, or "trading windows" imposed with respect to certain issuers for which the Investment Manager has board representation or is otherwise restricted. However, these restrictions were not taken into consideration in the liquidity calculation below as the Investment Manager has been able to liquidate such securities successfully through block trades or automatic purchase/sale plans. The Investment Manager believes that the appropriate metric for assessing portfolio liquidity is to calculate how many days it would require to liquidate a position assuming the Investment Manager were able to capture 20% of the trailing 90-day average trading volume (the "Liquidation Period"). On a monthly basis, the Liquidation Period is applied to the existing portfolio to assess how long it will take to divest the Company (and the other PSCM-managed funds) of its portfolio positions.

The following tables summarize the liquidity profile of the Company's assets and liabilities based on the following assumptions:

- Financial assets and financial liabilities at fair value through profit or loss are disposed over their Liquidation Period;
- The deferred tax expense liability associated with the Company's investment in The Howard Hughes Corporation matches its Liquidation Period, as fully described in Note 16; and
- The receipt/disposition of all other assets and liabilities, including cash and cash equivalents, due to/from brokers, trade receivables and payables and Bonds is based on their contractual maturities and undiscounted cash flows.

As of December 31, 2022	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	$ 1,147,443,227	$ –	$ –	$ –	$ –	$ 1,147,443,227
Due from brokers	506,639,045	–	–	–	–	506,639,045
Trade and other receivables	13,993,525	–	–	–	–	13,993,525
Financial assets at fair value through profit or loss:						
Investments in securities	6,144,029,760	1,713,011,460	1,206,478,218	1,493,768,307	21,496,447	10,578,784,192
Derivative financial instruments*	704,954,822	–	–	–	–	704,954,822
Total Assets	**$ 8,517,060,379**	**$ 1,713,011,460**	**$ 1,206,478,218**	**$ 1,493,768,307**	**$ 21,496,447**	**$ 12,951,814,811**
Liabilities						
Due to brokers	$ 670,670,000	$ –	$ –	$ –	$ –	$ 670,670,000
Trade and other payables	6,179,416	–	–	–	–	6,179,416
Deferred tax expense payable	–	602,452	14,331,952	37,283,527	–	52,217,931
Bonds	12,900,000	–	19,500,000	39,759,344	3,031,212,375	3,103,371,719
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	10,245,916	–	–	–	–	10,245,916
Total Liabilities	**$ 699,995,332**	**$ 602,452**	**$ 33,831,952**	**$ 77,042,871**	**$ 3,031,212,375**	**$ 3,842,684,982**

* In the case of derivatives that reference equity securities, the derivative terms provide that the counterparty, if directed, may terminate the derivative directly in the marketplace without requiring any upfront cash payment and such termination would follow the above liquidation time horizons.

As of December 31, 2021	Less than 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Over 1 Year	Total
Assets						
Cash and cash equivalents	$ 1,767,776,549	$ –	$ –	$ –	$ –	$ 1,767,776,549
Due from brokers	158,421,029	–	–	–	–	158,421,029
Trade and other receivables	10,293,988	–	–	–	–	10,293,988
Financial assets at fair value through profit or loss:						
Investments in securities	7,308,142,718	2,532,968,337	1,566,142,160	1,087,255,435	533,604,664	13,028,113,314
Derivative financial instruments*	842,240,829	–	–	–	–	842,240,829
Total Assets	**$ 10,086,875,113**	**$ 2,532,968,337**	**$ 1,566,142,160**	**$ 1,087,255,435**	**$ 533,604,664**	**$ 15,806,845,709**
Liabilities						
Due to brokers	$ 774,874,594	$ –	$ –	$ –	$ –	$ 774,874,594
Trade and other payables	464,492,013	–	–	–	–	464,492,013
Deferred tax expense payable	3,328,902	6,506,491	18,786,948	44,949,398	37,973,244	111,544,983
Bonds	30,242,133	–	19,500,000	688,192,321	3,139,735,936	3,877,670,390
Financial liabilities at fair value through profit or loss:						
Derivative financial instruments*	32,922,187	–	–	907,175,760**	–	940,097,947
Total Liabilities	**$ 1,305,859,829**	**$ 6,506,491**	**$ 38,286,948**	**$ 1,640,317,479**	**$ 3,177,709,180**	**$ 6,168,679,927**

* In the case of derivatives that reference equity securities, the derivative terms provide that the counterparty, if directed, may terminate the derivative directly in the marketplace without requiring any upfront cash payment and such termination would follow the above liquidation time horizons.

** Pursuant to the Forward Purchase Agreement, the Company has an obligation to purchase Committed Forward Purchase Units no later than simultaneously with the closing of PSTH's IBC. This calculation assumes PSTH completes an IBC prior to its mandatory liquidation date. The Committed Forward Purchase Units have a purchase price of $20.00 per unit, which equates to a total cash outlay of $907,175,760. The Company has not considered the Additional Forward Purchase Units as liabilities for the purpose of this analysis as their exercise is at the discretion of the Company and the other Pershing Square Funds. See Notes 14 and 16 for further details.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that is entered into with the Company, resulting in a financial loss to the Company. It arises principally from derivative financial assets, cash and cash equivalents, and balances due from brokers.

In order to mitigate credit risk, the Company seeks to trade only with reputable counterparties that the Investment Manager believes to be creditworthy. The Investment Manager reviews credit rating reports on its counterparties on a weekly basis and monitors its net counterparty exposure. The Company exchanges variation margin with its counterparties on a daily basis.

Certain of the Company's positions are subject to the Uncleared Margin Rules, which further mitigate the Company's counterparty risk by requiring both the Company and the counterparty to post initial margin to individual custody accounts. In the event of a counterparty default, the initial margin posted by the counterparty will become accessible to the Company. The initial margin posted by the Company and its counterparties is custodied at Bank of New York Mellon in non-cash collateral and is not considered part of the custodian's balance sheet.

Please refer to the Condensed Schedule of Investments on pages 110-111 (which is explicitly incorporated by reference into these Notes to Financial Statements) for additional details regarding the Company's financial assets and financial liabilities.

Credit exposure represents the fair value of derivative contracts in a net asset position offset against derivative contracts in a net liability position and net of collateral exchanged with its ISDA counterparties, plus the initial margin posted by the Company to custody accounts. After taking into effect the offsetting permitted under IAS 32, the Company's credit exposure related to derivative contracts was $521,943,463 and $210,774,355 at December 31, 2022 and December 31, 2021, respectively.

The Company maintains its cash and cash equivalents position at major financial institutions. At times, cash balances may exceed federally insured limits and, as such, the Company has credit risk associated with such financial institutions. The cash and cash equivalents balances are reflected in the statement of financial position. At December 31, 2022 and December 31, 2021, cash was primarily invested in U.S. Treasury money market funds and/or U.S. Treasury Bills with daily liquidity as disclosed in Note 10.

The Company's prime brokers are required to provide custody services for the Company's securities. The prime brokers are not permitted under U.S. law to lend out (or "re-hypothecate") the Company's securities if these securities are fully paid for unless the Company enters into a securities lending agreement. If the Company uses margin leverage, the prime brokers may lend out the Company's securities to fund the prime brokers' business, but are restricted under U.S. law; that is, the prime brokers may only lend out an amount of the Company's securities that is less than or equal to 140% of the debit balance that the prime broker extends to the Company as credit. The Company monitors its accounts to avoid running a debit balance. Additionally, the Company has processes in place that allow it to quickly move securities from its prime brokers into a regulated bank entity which is not legally permitted to re-hypothecate client securities.

The following table analyzes the Company's cash and cash equivalents (2022: $1,147,443,227, 2021: $1,767,776,549), due from brokers (2022: $506,639,045, 2021: $158,421,029) and financial assets portfolio (2022: $11,283,739,014, 2021: $13,871,878,198) based on the underlying custodians' and counterparties' credit rating, with the exception of the Company's investments in SPARC Sponsor, SPARC Sponsor Cayman, PSTH Sponsor and the Additional and Committed Forward Purchase Units, as applicable, which the Company excluded for purposes of this calculation.

As of December 31	2022	2021
AAA	9%	12%
A	91%	87%
BBB+	0%	1%
Total	**100%**	**100%**

The following is a breakdown of the Company's due to and due from brokers as stated in the statement of financial position.

As of December 31	2022	2021
Due from brokers		
Collateral pledged to third party accounts for derivative contracts	$ 505,308,351	$ –
Cash held at prime brokers	1,330,694	1,381,029
Collateral pledged bilaterally to counterparties for derivative contracts	–	157,040,000
	$ 506,639,045	**$ 158,421,029**

As of December 31	2022	2021
Due to brokers		
Collateral received from counterparties for derivative contracts	$ 670,670,000	$ 774,874,594
	$ 670,670,000	**$ 774,874,594**

14. COMMITMENTS AND CONTINGENCIES

As of December 31, 2022, no commitments or contingencies existed.

As of December 31, 2021, the Company had commitments relating to its Forward Purchase Units and the undrawn balance of the promissory note as described on page 105 of Note 16. No other commitments or contingencies existed as of December 31, 2021.

15. INVESTMENT MANAGEMENT AGREEMENT — MANAGEMENT FEES, PERFORMANCE FEES AND TERMINATION

The Investment Manager receives management fees and performance fees, if any, from the Company pursuant to the IMA.

Management Fee

The Investment Manager receives a quarterly management fee payable in advance each quarter in an amount equal to 0.375% (1.5% per annum) of the net assets (before any accrued performance fee) attributable to fee-paying shares. The fee-paying shares of the Company are the Public Shares and the Special Voting Share. Management Shares, if any, are not charged a management fee. Management fees paid by Public Shares held by PSCM employees, partners and certain of their affiliated entities are refunded to such shareholders by the Investment Manager.

For the years ended December 31, 2022 and 2021, the Investment Manager earned management fees from the Company of $148,482,762 and $146,070,348, respectively.

Performance Fee

Generally, the Investment Manager receives performance fees annually and upon payment of dividends in an amount equal to 16% of the NAV appreciation attributable to the fee-paying shares of the Company above a high water mark (the "16% performance fee") and before giving effect to the accrued performance fees minus the Additional Reduction (defined below). The 16% performance fees paid in connection with dividends are prorated to reflect the ratio of the dividend to the Company's net asset value at the time the dividend is paid. The Company's payment of a dividend will reduce the high water mark by the percentage of net asset value the dividend represents. These performance fees are defined as the "Variable Performance Fee" in the IMA. No Variable Performance Fee can be higher than the 16% performance fee, but it may, as a result of the Additional Reduction, be lower (although it can never be a negative amount).

The "Additional Reduction" is an amount equal to (i) the lesser of the 16% performance fee and the Potential Reduction Amount (defined below), offset (up to such lesser amount) by (ii) the then current portion of the Potential Offset Amount.

The "Potential Reduction Amount" is equal to (i) 20% of the aggregate performance fees and allocation earned by the Investment Manager and its affiliates in respect of the same calculation period on the gains of current and certain future funds managed by the Investment Manager or any of its affiliates plus (ii) if the Potential Reduction Amount for the previous calculation period exceeded the 16% performance fee, the excess amount (which is in effect carried forward).

The "Potential Offset Amount" refers to the fees and other costs of the offering and admission on Euronext Amsterdam of the Public Shares and the commissions paid to placement agents and other formation and offering expenses incurred prior to the IPO of the Company that were, in each case, borne by the Investment Manager pursuant to the IMA. The Potential Offset Amount will be reduced by each dollar applied to reduce the Additional Reduction, until it is fully reduced to zero.

The Potential Offset Amount is not a Company obligation but instead is a component used in the calculation of the Variable Performance Fee. Thus, if the Company or the Investment Manager terminates the IMA or the Company liquidates and the Company pays the Variable Performance Fee that may crystallize in connection therewith, the Company has no obligation to pay any remaining portion of the Potential Offset Amount.

The Potential Offset Amount equaled $120 million in the aggregate at the time of the IPO. After giving effect to the Potential Reduction Amount of $10.8 million in the year ended 2021, the Potential Offset Amount was reduced from $52.4 million to $41.6 million as of December 31, 2021 and remained unchanged as of December 31, 2022.

For the year ended December 31, 2022, the Investment Manager did not earn any performance fees. For the year ended December 31, 2021, the Investment Manager earned performance fees of $1,476,256 in connection with the payment of the quarterly dividend and an annual performance fee of $462,582,726. Performance fees paid by Public Shares held by employees, partners and certain of their affiliated entities are refunded to such shareholders by the Investment Manager.

Since the Company did not crystallize performance fees in 2022, the Potential Reduction Amount of $0.01 million recorded in 2022 will be carried forward to calculate the Additional Reduction and reduce any Variable Performance Fee in future years, subject to any offset by the Potential Offset Amount.

Termination

The IMA automatically renews annually, except that it may be terminated (a) as of December 31st of any year upon four months' prior written notice by either party, subject, in the case of termination by the Company, to approval by a 66 2/3% vote (by voting power) of the holders of the then outstanding voting shares of the Company, together with a 66 2⁄3% vote (by voting power) of the holders of the then outstanding Public Shares; and (b) in case of dissolution or liquidation of either party or if a receiver or provisional liquidator or administrator or similar officer is appointed over any of the assets of such party or if either party commits a material breach of its obligations under the IMA and such breach remains uncured for more than 30 calendar days after the notice thereof delivered to the party in breach by the other party in accordance with the IMA.

The termination of the IMA at any time will be a crystallization event, which will result in the Variable Performance Fee described above being payable.

16. RELATED PARTY DISCLOSURES

PSH Ownership

During the year ended December 31, 2022, William Ackman and Nicholas Botta transferred a total of 41.4 million and 1.6 million Public Shares, respectively, to wholly owned affiliated entities they control. The transfers did not result in a change of beneficial ownership or voting control of Public Shares.

During the year ended December 31, 2021, William Ackman exercised previously purchased call options referencing 14 million Public Shares and terminated 7 million out-of-the money put options. As a result, William Ackman no longer owns any options on PSH, and only owns PSH Public Shares.

As of December 31, 2022 and December 31, 2021, William Ackman, Nicholas Botta, other PSCM affiliates and their respective affiliated entities had total net economic share ownership of approximately 26% and 25%, respectively, of the Company.

Director's Fees

For the year ended December 31, 2022, the Company's independent Directors' fees in relation to their services for the Company were $581,628 of which none were payable as of December 31, 2022. For the year ended December 31, 2021, the Company's independent Directors' fees in relation to their services for the Company were $618,765 of which none were payable as of December 31, 2021.

Management and Performance Fees

The relationship between the Company and the Investment Manager and the fees earned are disclosed in Note 15.

Beneficial Ownership of Portfolio Companies

In the normal course of business, the Company and its affiliates make concentrated investments in portfolio companies where the aggregate beneficial holdings of the Company and its affiliates may be in excess of 10% of one or more portfolio companies' classes of outstanding securities. At such ownership levels, a variety of securities laws may, under certain circumstances, restrict or otherwise limit the timing, manner and volume of disposition of such securities. In addition, with respect to such securities, the Company and its affiliates may have disclosures or other public reporting obligations with respect to acquisitions and/or dispositions of such securities. Similar restrictions and/or obligations may apply where the Company and its affiliates have a representative on the board of a portfolio company.

As of December 31, 2022 and December 31, 2021, the Company and its affiliates beneficially owned in excess of 10% of the outstanding common equity securities of The Howard Hughes Corporation ("HHC") and UMG. William A. Ackman is the chairman of the board of HHC and was appointed as non-executive director of UMG on May 12, 2022.

As of December 31, 2022 and December 31, 2021, the Company and the other Pershing Square Funds, through their ownership of SPARC Sponsor, were the sole shareholders of SPARC. Additionally, as of December 31, 2021, the Company and the other Pershing Square Funds, through their ownership of SPARC Sponsor Cayman, were the sole shareholders of SPARC Cayman.

As of December 31, 2021, the Company and the other Pershing Square Funds beneficially owned in excess of 10% of the Class A common stock of PSTH, assuming full election of the Forward Purchase Units.

HHC Tender Offer

On October 14, 2022, PSCM announced that the Pershing Square Funds had commenced a cash tender offer to purchase up to an aggregate of 6,340,000 shares of common stock of HHC, at a price not greater than $60.00 nor less than $52.25 per share, net to the seller in cash, less any applicable withholding taxes and without interest. The exact price would be determined through a modified Dutch auction described in the Offer to Purchase and the Letter of Transmittal, each dated as of October 14, 2022 and filed with the SEC (the "Offer"). If the Pershing Square Funds accepted any of the common stock for purchase pursuant to the Offer, PSLP, PSINTL and the Company would have purchased approximately 7.47%, 2.27% and 90.26%, respectively, of those shares. The Offer was scheduled to expire on November 10, 2022 unless the Offer was extended or earlier terminated.

On November 11, 2022, PSCM announced that the Pershing Square Funds had increased the price range of the Offer to not greater than $70.00 nor less than $61.00 per share, net to the seller in cash, less any applicable withholding taxes and without interest. The Pershing Square Funds also extended the Offer to expire on November 28, 2022 unless the Offer was further extended or earlier terminated.

On November 30, 2022, PSCM announced that the Pershing Square Funds had accepted for payment 1,559,205 shares of HHC, at $70.00 per share, for a total purchase price of $109,144,350. The Company purchased 1,407,338 of the shares tendered.

Pershing Square SPARC Holdings, Ltd.

SPARC is a Delaware corporation formed for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. SPARC filed its initial Form S-1 Registration Statement with the SEC on November 24, 2021 and subsequently filed amendments with the most recent amendment filed on March 24, 2023.

SPARC Sponsor, a Delaware limited liability company, is the sponsor entity of SPARC. The Pershing Square Funds wholly own SPARC Sponsor as non-managing members and are its only source of funding. The business and affairs of SPARC Sponsor are managed exclusively by its non-member manager, PSCM.

SPARC Cayman, a Cayman Islands exempted company and SPARC Sponsor Cayman, a Delaware limited liability company were previously formed for the same purpose as SPARC and SPARC Sponsor, but the Investment Manager later determined to proceed using a Delaware entity. In connection therewith, the Investment Manager liquidated SPARC Cayman and SPARC Sponsor Cayman.

SPARC intends to distribute, at no cost, subscription warrants ("SPARs") to purchase SPARC shares at a future date to PSTH security holders who owned either Class A Common Stock (ticker: PSTH) or PSTH warrants (ticker: PSTH.WS) as of the close of business on July 25, 2022 (the last date on which such instruments could have been redeemed or cancelled): one SPAR for every four shares of PSTH common stock and one SPAR for every two PSTH warrants. After SPARC has entered into a definitive agreement for its business combination and distributed to SPAR holders a prospectus, included in an effective registration statement that describes the proposed business combination, SPAR holders may elect to exercise their SPARs. SPARC intends that, at the time during which a holder may elect to exercise, the SPARs will be quoted on the OTCQX marketplace of the OTC Markets Group or other quotation service. The shares issuable upon the exercise of the SPARs will be issued concurrently with the closing of SPARC's business combination. SPARC remains subject to SEC review. No assurance can be given that SPARC will be effectuated. The amended SPARC S-1 Registration Statement is available on the SEC's website.

From November 9, 2021 through December 23, 2022, the Pershing Square Funds made capital contributions of $3,999,650 to SPARC Sponsor to fund its acquisition of 399,965 shares of SPARC common stock ("Sponsor Shares") to pay various organizational and legal costs of SPARC. Additionally, the Pershing Square Funds made capital contributions of $5,771 to SPARC Sponsor to pay for its expenses. The Company's capital contributions totaled $3,508,175. As of December 31, 2022 and December 31, 2021, the Company owned 87% of SPARC Sponsor.

From June 14, 2021 through May 24, 2022, the Pershing Square Funds made total capital contributions of $2,653,160 to SPARC Sponsor Cayman to fund its acquisition of 132,658 shares of SPARC Cayman common shares to pay various organizational and legal costs of SPARC Cayman. The proceeds of SPARC Sponsor Cayman's 2022 share purchases were specifically used by SPARC Cayman to wind down its operations and liquidate. The Company's capital contributions totaled $2,308,940. As of December 31, 2021, the Company owned 87% of SPARC Sponsor Cayman.

Refer to Note 7 for fair market value associated with SPARC Sponsor and SPARC Sponsor Cayman as of December 31, 2022 and December 31, 2021, as applicable.

Rebalancing Transactions

The Investment Manager may seek to effect rebalancing transactions from time to time pursuant to policies that are intended to result in the Company and the other Pershing Square Funds managed by the Investment Manager generally holding investment positions on a proportionate basis relating to their respective adjusted net asset values, which are equal to each of the entities' net asset values plus any accrued (but not crystallized) performance fees and the amount of any outstanding long-term debt, including the current portion thereof (which in the case of the Company, includes the gross proceeds from the Outstanding Bonds as further discussed in Note 18). Rebalancing transactions involve either the Company purchasing or selling securities or other financial instruments held by/to one or more Pershing Square Funds.

Rebalancing transactions are subject to a number of considerations including, but not limited to, cash balances and liquidity needs, tax, regulatory, risk and other considerations, which may preclude these transactions from occurring or limit their scope at the time of the transactions. The Investment Manager effects rebalancing transactions based on independent market prices, and consistent with the valuation procedures established by the Investment Manager. Neither the Investment Manager nor any of the Pershing Square Funds receive any compensation in connection with rebalancing transactions. In addition, rebalancing transactions are generally effected without brokerage commissions being charged. To the extent that rebalancing transactions may be viewed as principal transactions due to the ownership interests in the Pershing Square Funds by the Investment Manager and its personnel, the Investment Manager will either not effect such transactions or comply with the requirements of Section 206(3) of the U.S. Investment Advisers Act of 1940, as amended, including that the Investment Manager will notify the relevant entity (or an independent representative of that entity) in writing of the transaction and obtain the consent of that entity (or an independent representative of that entity), and any other applicable law or regulation.

In 2021, the Investment Manager effected rebalancing transactions for certain of the Company's investments between the Company and PSINTL with an aggregate fair value of $63,780,080. There were no rebalancing transactions for the year ended December 31, 2022.

PS VII

On August 9, 2021, the Company, PSLP and PSINTL made capital contributions of $2.5 billion, $202.5 million and $87.2 million respectively, to PS VII Master, for a total of $2.8 billion. The capital contributions were used to acquire 128,555,017 ordinary shares of UMG, representing 7.1% of the share capital of UMG at the time of the acquisition. As a result of the closing of this acquisition, the share purchase and indemnity agreements described under "PSTH's Proposed IBC and Cancellation" transferred to the Company and its affiliates and PSTH was released from its obligations under these agreements to Vivendi S.E.

On August 24, 2021, the Pershing Square Funds made additional capital contributions to PS VII Master of approximately $25 million, of which the Company contributed $22,377,329. The capital contributions were used by PS VII Master to reimburse PSTH for expenses PSTH incurred in connection with PSTH's proposed UMG transaction. The $25 million was reflected in the cost of UMG shares and was ultimately borne by all investors in PS VII Master.

On September 1, 2021, PS VII Master raised $1.18 billion of additional capital, for a total capital raise of $4 billion. On September 9, 2021, a second purchase of 52,769,098 UMG ordinary shares was executed for $1.15 billion. In total, 181,324,115 ordinary shares of UMG were purchased by PS VII Master for $3.9 billion, representing approximately 10% of UMG at the time of acquisition. There are no trading restrictions on the stock acquired.

On September 21, 2021, at the time of UMG's listing on Euronext Amsterdam, PS VII Master's UMG ordinary shares were converted to UMG common stock.

On October 1, 2021, PS VII Master transferred to the Company its ownership of 105,325,592 UMG ordinary shares and cash of $12.5 million, as a partial redemption in kind of its ownership interest in PS VII Master as of September 30, 2021. The market value of these shares at the time of distribution was $2.8 billion with a gain of $510.5 million. This represented 92% of the Company's investment in PS VII Master. The remaining 8% is still invested in PS VII Master for regulatory purposes. The Company is not charged a management fee or performance fee in relation to its investment in PS VII Master.

On December 9, 2021, the Company received a capital distribution from PS VII Master of $1,881,372, the result of dividends (net of withholding) received by PS VII Master from its investment in UMG common stock.

As of December 31, 2022 and December 31, 2021, the Company had a capital balance of $250,935,505 and $273,045,403 in PS VII Master, respectively, representing an ownership of 28% of the fund.

Pershing Square Tontine Holdings, Ltd.

PSTH, a Delaware corporation, was a blank check company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. PSTH filed its S-1 Registration Statement with the Securities and Exchange Commission ("SEC") on June 22, 2020 and subsequently consummated its IPO on July 24, 2020.

PSTH Sponsor, a Delaware limited liability company, was the sponsor entity of PSTH. The Pershing Square Funds wholly owned PSTH Sponsor as non-managing members and were its only source of funding. The business and affairs of PSTH Sponsor were managed exclusively by its non-member manager, PSCM.

The Company's investments as of December 31, 2021 in PSTH and PSTH Sponsor, both affiliates of PSCM, are described below. PSTH announced on July 11, 2022 that it would redeem all of its outstanding shares of Class A common stock effective as of the close of business on July 26, 2022, and would thereafter liquidate. The effect of the PSTH liquidation on the Company is described in "PSTH Liquidation".

Class B Common Stock

On May 7, 2020, the Pershing Square Funds made a capital contribution of $25,000 to PSTH Sponsor to fund PSTH Sponsor's acquisition of 100 shares of PSTH Class B common stock at a price of $250.00 per share. The Company's portion of the contribution was $21,076.

Promissory Note

In addition to its purchase of Class B common stock, PSTH Sponsor agreed to loan PSTH up to $1,500,000 to cover certain expenses pursuant to a promissory note. On July 24, 2020 all amounts drawn down by PSTH under the promissory note with PSTH Sponsor, along with a nominal amount of interest, were fully repaid and immediately distributed to the Company and the other Pershing Square Funds.

As of December 31, 2021, $378,880 was left under the promissory note that could be drawn down; however, there were no borrowings outstanding.

Sponsor Warrants

On July 21, 2020, PSTH Sponsor purchased warrants from PSTH for an aggregate purchase price of $65,000,000 (the "Sponsor Warrants"). Based on the Company's ownership in PSTH Sponsor, its portion of the purchase price was $58,967,000.

Pursuant to the Sponsor Warrants agreement filed as an exhibit to the PSTH S-1, the Sponsor Warrants would have been exercisable, in whole or in part, for that number of shares constituting 5.95% of the common shares of the post-combination business on a fully diluted basis at the time immediately following PSTH's IBC, at an exercise price equal to $24.00 per common share of the post-combination business. The Sponsor Warrants would have had a term of 10 years from PSTH's IBC and would generally not have been salable, transferable or exercisable until three years into their term.

Refer to Note 7 for additional detail on the valuation methodologies and fair market value associated with the Company's investment in PSTH Sponsor as December 31, 2021.

Forward Purchase Agreement

The Pershing Square Funds entered into a forward purchase agreement with PSTH on June 21, 2020. Pursuant to the forward purchase agreement, the Pershing Square Funds agreed to purchase an aggregate of $1 billion or 50,000,000 of units (the "Committed Forward Purchase Units"). The forward purchase agreement also provided that the Pershing Square Funds may elect to purchase up to an additional aggregate amount of $2 billion or 100,000,000 of units (the "Additional Forward Purchase Units" and collectively with the Committed Forward Purchase Units, the "Forward Purchase Units"). Each of the Forward Purchase Units had a purchase price of $20.00 and consisted of one share of PSTH Class A common stock and one-third of one warrant. The Pershing Square Funds' obligation or right, as applicable, to purchase the Forward Purchase Units was allocated among the Company, PSLP, and PSINTL at 90.72%, 5.73% and 3.55%, respectively.

Refer to Note 7 for additional detail on the valuation methodologies and fair market value associated with the Forward Purchase Units as of December 31, 2021.

PSTH's Proposed IBC and Cancellation

On June 20, 2021, PSTH announced that it had entered into a definitive agreement with Vivendi S.E. to acquire approximately 10% of the outstanding ordinary shares of UMG for approximately $4 billion.

On July 19, 2021, PSTH announced that the PSTH board of directors unanimously determined not to proceed with the UMG transaction and to assign PSTH's share purchase agreement to the Company and its affiliates, an assignment which the Company and its affiliates agreed to assume, committing them to purchase 5% of UMG with an option to purchase an additional 5% of UMG by September 15, 2021. The Company and its affiliates also agreed to assume the indemnity agreement between PSTH and Vivendi, and to reimburse PSTH for the expenses PSTH incurred in connection with the proposed UMG transaction, which were approximately $25 million. The purchase of UMG shares and the reimbursement of expenses to PSTH are discussed in "PS VII" within this Note.

PSTH Liquidation

On July 11, 2022, PSTH announced that it would not consummate an IBC within the time period required by its charter and would redeem all of its outstanding shares of Class A common stock, effective as of the close of business on July 26, 2022, and thereafter liquidate. As a result, the forward purchase agreement was terminated and the Sponsor Warrants expired.

After the liquidation of PSTH was completed and all liabilities were settled, PSTH had $16.8 million of net assets. PSTH distributed available cash of $16.7 million to PSTH Sponsor which held PSTH's Class B common stock and the Sponsor Warrants, with $0.1 million payable to PSTH Sponsor as of December 31, 2022. PSTH Sponsor further distributed such cash to the Pershing Square Funds, the non-managing members of PSTH Sponsor. The Company's portion of the cash distributed and the remaining receivable totaled $14.2 million. PSTH Sponsor initially paid a total cost of $65,025,000 for the Class B common stock and the Sponsor Warrants.

PSTH Litigation

On August 17, 2021, a derivative lawsuit on behalf of PSTH was filed in the U.S. District Court for the Southern District of New York by a PSTH shareholder against PSTH, the independent directors of PSTH, PSTH Sponsor, PSLP, PSINTL and the Company alleging, among other things, that PSTH is an investment company under the Investment Company Act of 1940. The case was dismissed with prejudice by agreement of the parties and terminated August 3, 2022.

17. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the profit/(loss) for the year attributable to the Public Shares and the Special Voting Share over the weighted average number of Public Shares and the Special Voting Share outstanding, respectively. In accordance with IFRS, the weighted average shares outstanding for the Public Shares and the Special Voting Share were 196,513,766 and 1, respectively for the year ended December 31, 2022, and 199,120,882 and 1, respectively for the year ended December 31, 2021. The Company's share buybacks provided accretion to the Public Shares of $0.67 per share during the year ended December 31, 2022. Accretion is not included in calculation of EPS. The Company did not repurchase shares during the year ended December 31, 2021.

18. BONDS

The Company has the following Senior Notes issued and outstanding, which are listed on Euronext Dublin with a symbol of PSHNA:

Bond	Date of Issuance		Bond Face	Price of Bonds at Issuance (of Par)	Fixed Rate Coupon (per annum)	Coupon Payment	Maturity Date
2027 Bonds	October 1, 2021	€	500,000,000	99.869%	1.375%	Annual	October 1, 2027
2030 Bonds	November 2, 2020	$	500,000,000	100%	3.250%	Semi-Annual	November 15, 2030
2031 Bonds	October 1, 2021	$	700,000,000	99.670%	3.250%	Semi-Annual	October 1, 2031
2032 Bonds	August 26, 2020	$	200,000,000	100%	3.000%	Semi-Annual	July 15, 2032
2039 Bonds	July 25, 2019	$	400,000,000	100%	4.950%	Semi-Annual	July 15, 2039

The Company used the net proceeds of the offerings for general corporate purposes, including to make investments or hold assets in accordance with the Company's Investment Policy, and in the case of the 2027 and 2031 Bonds, a portion of the proceeds were used to fund the tender offer of the 2022 Bonds described below.

On September 22, 2021, the Company commenced a cash tender offer for the 2022 Bonds. Bonds in the amount of $369,377,000 were tendered and cancelled on October 4, 2021. Bond holders participating in the tender received consideration from the Company of $1,032.82 per $1,000 of principal plus accrued and unpaid interest through October 3, 2021, equating to a total payment of $385,958,128. The consideration paid in excess of principal resulted in a one-time extinguishment expense of $12,122,953 to the Company. Following the cancellation, the aggregate principal amount of the 2022 Bonds outstanding was $630,623,000.

On June 15, 2022, the Company redeemed all outstanding 2022 Bonds at a redemption price equal to 100% of the principal amount of $630,623,000, plus accrued and unpaid interest through June 14, 2022 of $14,451,777. Following the redemption, the 2022 Bonds were retired.

The Outstanding Bonds rank equally in right of payment with each other and contain substantially the same covenants. Each of the Outstanding Bonds is callable at par plus a customary make whole premium until a certain date (the "Par Call Date") and thereafter becomes callable at 100% of Par. The Par Call Date for each of these Outstanding Bonds is as follows:

Bond	Par Call Date
2027 Bonds	August 1, 2027
2030 Bonds	August 15, 2030
2031 Bonds	July 1, 2031
2032 Bonds	July 15, 2030
2039 Bonds	July 15, 2034

If a key man event (Mr Ackman's death, permanent disability or withdrawal as managing member of the general partner to the Investment Manager) were to have occurred prior to July 15, 2022, generally, each of the Bonds would have required the Company to make an offer to acquire the Bonds at 101% of par plus accrued interest. As of July 15, 2022 and thereafter, if a key man event occurs, the specified debt to capital ratio in the Bonds' debt covenants is reduced from 1.0 to 3.0 to 1.0 to 4.0. If, at the time of the key man event, the Company's debt to capital ratio is above 1.0 to 4.0, the Company will be required to either reduce its debt or issue additional equity within 180 days. In the event the Company elects to reduce its debt, the Bonds become callable at 101% of par plus accrued interest in the amount necessary to achieve the required debt to capital ratio and the Company may select which Bonds to redeem.

The fair value of the Bonds as of December 31, 2022 and December 31, 2021 is summarized in the table below:

As of December 31	2022	2021
Fair Value of the Bonds		
2022 Bonds	$ –	$ 641,520,165
2027 Bonds	442,818,404	559,919,993
2030 Bonds	388,425,000	503,642,500
2031 Bonds	526,904,000	700,889,000
2032 Bonds	149,822,000	193,938,000
2039 Bonds	348,844,000	453,416,000
Total Fair Value	**$ 1,856,813,404**	**$ 3,053,325,658**

In accordance with IFRS 9, the Bonds' carrying value on the statement of financial position as of December 31, 2022 and December 31, 2021, is $2,332,567,827 and $3,009,416,881, respectively. As of December 31, 2022 and December 31, 2021, the carrying value includes $3,011,145 and $3,055,718 of original issue discount and $25,558,581 and $35,055,718 of capitalized transaction costs, respectively, which are amortized over the life of the Bonds using the effective interest method.

	2022
At December 31, 2021	**$ 3,009,416,881**
True-up of 2027 & 2031 Bonds issue costs	(17,657)
2022 Bonds redeemed	(630,623,000)
Unrealized currency (gain)/loss on translation during the year	(34,372,153)
Finance costs for the year	91,383,448
Bonds coupon payments during the year	(103,219,692)
At December 31, 2022	**$ 2,332,567,827**
Finance costs for the year:	
Bonds coupon expense	$ 87,734,757
Amortization of Bonds issue costs incurred as finance costs	3,304,217
Amortization of Bonds original issue discount incurred as finance costs	344,474
Interest expense	**$ 91,383,448**

	2021
At December 31, 2020	**$ 2,122,787,844**
Write-off of 2030 & 2032 Bonds issue costs	128,853
2022 Bonds cancelled from tender offer	(369,377,000)
2027 & 2031 Bonds issued	1,279,900,000
2027 & 2031 Bonds issue costs	(12,901,799)
2027 & 2031 Bonds original issue discount	(3,069,669)
Unrealized currency (gain)/loss on translation during the year	(10,539,796)
Finance costs for the year	103,900,095
Bonds coupon payments during the year	(101,411,647)
At December 31, 2021	**$ 3,009,416,881**
Finance costs for the year:	
Bonds coupon expense	$ 99,901,785
Amortization of Bonds issue costs incurred as finance costs	3,908,950
Amortization of Bonds original issue discount incurred as finance costs	89,360
Interest expense	**$ 103,900,095**

19. DEFERRED TAX EXPENSE

As a foreign corporation holding a beneficial ownership in a U.S. real property interest (HHC), the Company will be subject to the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") income tax withholding upon disposition of such investment. Foreign corporations purchasing U.S. real property interests are required to pay the U.S. corporate tax rate (currently 21%) on the gain realized upon the disposition. To accrue for this potential withholding the Company assessed a 21% rate on the unrealized gains on the stock purchased. As the stock price of HHC declined for the year ended December 31, 2022, deferred tax expense had a positive impact on the statement of comprehensive income in the amount of $59,327,053. The Company had a deferred tax expense of $59,098,133 for the year ended December 31, 2021.

20. EVENTS AFTER THE REPORTING PERIOD

The Investment Manager has evaluated the need for disclosures and/or adjustments resulting from subsequent events during the period between the end of the reporting period and the date of authorization of the Financial Statements. This evaluation together with the Directors' review thereof did not result in any additional subsequent events that necessitated disclosures and/or adjustments, except as follows.

Non-Adjusting Subsequent Events

On January 31, 2023, the Company announced a quarterly dividend of $0.1307 per Public Share for 2023.

Adjusting Subsequent Events

The Company did not have any subsequent events after the reporting period requiring adjustments to the Financial Statements.

Supplemental U.S. GAAP Disclosures

(Stated in United States Dollars)

CONDENSED SCHEDULE OF INVESTMENTS

Shares	Description/Name	Fair Value	Percentage of Net Assets
	Investments in Securities		
	Equity Securities		
	Common Stock		
	Canada:		
	Restaurant:		
21,389,922	Restaurant Brands International Inc.	$ 1,383,286,256	14.00%
140,873	Restaurant Brands International Limited Partnership	9,058,945	0.09
	Transportation		
13,266,340	Canadian Pacific Railway Limited	989,536,301	10.02
	Total Canada (cost $1,801,101,989)	2,381,881,502	24.11
	Europe:		
	Media:		
105,325,592	Universal Music Group N.V.	2,537,907,507	25.69
	Total Europe (cost $2,309,571,504)	2,537,907,507	25.69
	United States:		
	Financial Services	66,030,717	0.67
	Hospitality:		
8,846,556	Hilton Worldwide Holdings Inc.	1,117,850,816	11.31
	Real Estate Development and Operating:		
13,881,104	The Howard Hughes Corporation	1,060,793,968	10.74
	Restaurant:		
962,452	Chipotle Mexican Grill, Inc.	1,335,392,525	13.52
	Retail:		
9,056,888	Lowe's Companies Inc.	1,804,494,365	18.26
	Total United States (cost $2,746,956,212)	5,384,562,391	54.50
	Total Common Stock (cost $6,857,629,705)	10,304,351,400	104.30
	Preferred Stock		
	United States:		
	Financial Services (cost $40,813,065)	23,497,287	0.24
	Total Equity Securities (cost $6,898,442,770)	$ 10,327,848,687	104.54%

CONDENSED SCHEDULE OF INVESTMENTS (CONTINUED)

Shares	Description/Name	Fair Value	Percentage of Net Assets
	Investment in Affiliated Entities		
	Europe:		
	Media:		
	PS VII Master, L.P.		
10,405,273	Universal Music Group N.V., Common Stock	$ 250,723,684	2.54%
	Other Assets and Liabilities	211,821	0.00
	Total Europe (cost $208,714,974)	250,935,505	2.54
	United States:		
	Special Purpose Acquisition Rights Company(1)	–	–
	Total United States (cost $3,508,175)	–	–
	Total Investment in Affiliated Entities (cost $212,223,149)	250,935,505	2.54
	Total Investments in Securities (cost $7,110,665,919)	**10,578,784,192**	**107.08**
	Derivative Contracts		
	Currency Call/Put Options Purchased		
	Various Currency Call Options, U.S. Dollar Put Options (cost $86,583,599)	11,323,089	0.11
	Currency Forwards		
	Currencies	7,403,795	0.07
	Equity Options Purchased		
	United States:		
	Energy (cost $115,575,073)	174,892,671	1.77
	Interest Rate Swaptions Purchased		
	JPY Swaptions	170,367,376	1.72
	U.S. Swaptions	330,721,975	3.35
	Total Interest Rate Swaptions (cost $233,140,228)	501,089,351	5.07
	Total Derivative Contracts (cost $435,298,900)	**$ 694,708,906**	**7.02%**

(1) Figure relates to the Company's investment in Pershing Square SPARC Sponsor LLC. Refer to Note 16 for further details.

FINANCIAL HIGHLIGHTS

For the year ended 2022	Public Shares
Per share operating performance	
Beginning net asset value at January 1, 2022	$ 57.30
Net gain on currency translation of the Bonds	0.17
Change in net assets resulting from financing:	
Share buyback accretion	0.67
Dividends paid	(0.48)
Change in net assets resulting from operations:	
Net investment loss	(0.65)
Net gain from investments and derivatives[1]	(5.25)
Ending net asset value at December 31, 2022	$ 51.76
Total return prior to performance fees	(8.83)%
Performance fees	–
Total return after performance fees	(8.83)%
Ratios to average net assets	
Expenses before performance fees	(2.68)%
Performance fees	–
Expenses after performance fees	(2.68)%
Net investment income/(loss)[2]	(1.29)%

(1) Net gain from investments and derivatives includes deferred tax expense. See Note 19 for further details.

(2) Net investment income/(loss) ratio includes dividend income, interest income, performance fees (if any), management fees, interest expense, professional fees, other expenses and withholding tax (dividends) as shown on the statement of comprehensive income.

Certain Regulatory Disclosures

1. None of the Company's assets are subject to special arrangements arising from an illiquid nature.

2. There have been no material changes to the Company's risk profile and risk management system as disclosed in the Prospectus of the Company dated October 2, 2014.

3. a) There have been no changes to the maximum amount of leverage which the Investment Manager may employ on behalf of the Company since the Company's inception. The terms of the Company's Bonds restrict the Company from incurring indebtedness beyond a total debt-to-capital ratio of 33.3%. If a key man event occurs after July 15, 2022, the terms of the Bonds reduce the Company's permitted total debt-to-capital ratio to 25%.

   Articles 7 and 8 of the Level 2 Regulations of the Alternative Investment Fund Managers Directive (the "Directive") set forth the methodology of calculating the leverage of the Company in accordance with the gross method and the commitment method. Leverage is expressed as the exposure of the Company. Exposures are calculated using the sum of the absolute values of all positions valued in accordance with Article 19 of the Directive and all delegated acts adopted pursuant to Article 19. For derivatives, exposures are calculated using the conversion methodology set forth in Annex II to the Level 2 Regulations. For all other securities, exposures are calculated using market values. The gross method excludes cash and cash equivalents held in the Company's base currency as per Article 7. The commitment method includes cash and cash equivalents and employs netting and hedging arrangements as per Article 8. The total amount of leverage employed by the Company as per these calculations as of December 31, 2022 is shown below.

Gross method:	$20,809,309,701
Commitment method:	$21,943,468,381

   The Company generally does not expect to use margin financing. In the past, securities purchased by the Company pursuant to prime brokerage services agreements typically, but not always, have been fully paid for. Although it is anticipated that securities purchased in the future typically will be fully paid for, this may not be the case in all circumstances.

   In addition, the Company, from time to time, enters into total return swaps, options, forward contracts and other derivatives, some of which have inherent recourse leverage. The Company generally uses such derivatives to take advantage of investment opportunities or manage regulatory, tax, legal or other issues and not in order to obtain leverage. However, depending on the investment strategies employed by the Company and specific market opportunities, the Company may use such derivatives for leverage.

   b) There have been no material changes to the right of the re-use of collateral or any guarantee granted under any leveraging arrangement.

   From time to time, the Company may permit third-party banks, broker-dealers, financial institutions and/ or derivatives counterparties ("Third Parties"), to whom assets have been pledged (in order to secure such Third Party's credit exposure to the Company), to use, reuse, lend, borrow, hypothecate or re-hypothecate such assets. Typically, with respect to derivatives, the Company pledges to Third Parties cash, U.S. Treasury securities and/or other liquid securities ("Collateral") as initial margin and as variation margin. Collateral may be transferred to the Third Party and/or to an unaffiliated custodian for the benefit of the Third Party. In the case where Collateral is transferred to the Third Party, the Third Party pursuant to these derivatives arrangements will be permitted to use, reuse, lend, borrow, hypothecate or re-hypothecate such Collateral. The Third Parties will have no obligation to retain an equivalent amount of similar property in their possession and control, until such time as the Company's obligations to the Third Party are satisfied. The Company has no right to this Collateral, but has the right to receive fungible, equivalent Collateral upon the Company's satisfaction of the Company's obligation under the derivatives. Collateral held as securities by an unaffiliated custodian may not be used, reused, lent, borrowed, hypothecated or re-hypothecated. From time to time, the Company may offer guarantees to Third Parties with respect to derivatives, prime brokerage and other arrangements. These guarantees are not provided by the Company as a guarantee of the payment and performance by other funds managed by the Investment Manager to such Third Parties. Rather, the guarantees are typically to guarantee the payment and performance by entities that are direct or indirect subsidiaries of the Company. Such entities are typically set up to manage regulatory, tax, legal or other issues. To the extent that a subsidiary is not 100% owned by the Company, the Company will typically only guarantee such subsidiary for the benefit of Third Parties to the extent of the Company's ownership interest in the subsidiary.

4. With respect to the liquidity management procedures of the Company, the Company is a closed-ended investment fund, the Public Shares of which are admitted to trading on Euronext Amsterdam and the LSE. As such, Public Shares have no redemption rights and shareholders' only source of liquidity is their ability to trade Public Shares on Euronext Amsterdam and the LSE.

5. The Bonds are subject to the following transfer restrictions:

(a) Each holder of the Bonds is required to be either (a) a qualified institutional buyer ("QIB") as defined in Rule 144A under the U.S. Securities Act of 1933, as amended (the "Securities Act") who is also a qualified purchaser ("QP") as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 or (b) a non-U.S. person, provided that, in each case, such holder can make the representations set forth in the Listing Particulars, dated June 24, 2015,

(b) The Bonds can only be transferred to a person that is a QIB/QP in a transaction that is exempt from the registration requirements of the Securities Act pursuant to Rule 144A or to a non-U.S. person in an offshore transaction that is not subject to the registration requirements of the Securities Act pursuant to Regulation S, or to the Company, and

(c) The Company has the right to force any holder who is not a QIB/QP or a non-U.S. person to sell its Bonds.

6. Remuneration

For the Year Ended 2022	Fixed Remuneration[1]	Variable Remuneration[1]	Total	Number of Beneficiaries
Total remuneration of entire PSCM staff[2]	$ 12,589,268	$ 71,641,557	$ 84,230,825	42
Remuneration of PSCM staff who are fully or partly involved in the activities of the Company[3]	$ 10,029,152	$ 69,969,314	$ 79,998,466	25
Proportion of remuneration of PSCM staff who are involved in the activities of the Company as a percentage of the total PSCM staff remuneration	79.66%	97.67%	94.98%	25 out of 42
Remuneration of senior management and PSCM staff whose actions have a material impact on the risk profile of the Company	$ 6,868,950	$ 66,662,572	$ 73,531,522	13

(1) Fixed remuneration reflects salaries and guaranteed remuneration earned in 2022 by PSCM staff. All other remuneration earned in 2022 is considered to be variable remuneration.
(2) Total remuneration reflects salaries, bonuses and performance fees/allocations earned by PSCM staff in 2022 for services provided to PSCM, the Company and/or other funds managed by PSCM.
(3) Remuneration earned in 2022 by any staff member involved in the activities of the Company for services provided by such staff member to PSCM, the Company and/or other funds managed by PSCM.

Affirmation of the Commodity Pool Operator

To the best of the knowledge and belief of the undersigned, the information contained in the audited Financial Statements of Pershing Square Holdings, Ltd. for the year ended December 31, 2022 is accurate and complete.

/s/ Michael Gonnella
Michael Gonnella

By: Michael Gonnella
Chief Financial Officer

Pershing Square Capital Management, L.P.
Commodity Pool Operator

Pershing Square Holdings, Ltd.
Commodity Pool

Endnotes and Disclaimers

ENDNOTES TO CHAIRMAN'S STATEMENT

[i] The Company's NAV appreciation is calculated with respect to the Public Shares only and is as of December 31, 2022. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and assume an investor has participated in any "new issues" as such term is defined under Rules 5130 and 5131 of FINRA. Net returns also reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and performance fees (if any). Performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Past performance is not a guarantee of future results.

[ii] The Company's share price performance and discount to NAV for 2022 is calculated based on the Company's Public Shares traded on Euronext Amsterdam and includes dividend reinvestment. The share price decline over 2022 for Public Shares listed on the LSE in Sterling and USD was 1.9% and 11.6%, respectively. The LSE shares' discount to NAV widened from 28.8% to 31.9% during 2022 for shares listed in Sterling and from 29.7% to 32.1% for shares listed in USD.

[iii] Please see Endnote 3 in "Endnotes to Company Performance and Investment Manager's Report".

[iv] 2020 COVID-19 hedges refer specifically to the CDS index hedges initiated in late February through early March of 2020.

[v] The Company's total debt to capital ratio is calculated in accordance with the "Total Indebtedness to Total Capital Ratio" under the PSH Bonds' Indentures. Under the Indentures, the Company's "Total Capital" reflects the sum of its NAV and its "Total Indebtedness". Total Indebtedness reflects the total "Indebtedness" of the Company and any consolidated subsidiaries (excluding any margin debt that does not exceed 10% of the Company's total capital), plus the proportionate amount of indebtedness of any unconsolidated subsidiary or affiliated special investment vehicle. As defined in the Indentures, "Indebtedness" reflects indebtedness (i) in respect of borrowed money, (ii) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof), representing capital lease obligations, (iv) representing the balance deferred and unpaid of the purchase price of any property or services (excluding accrued expenses and trade payables in the ordinary course of business) due more than one year after such property is acquired or such services are completed or (v) in respect of the Company's capital stock that is repayable or redeemable, pursuant to a sinking fund obligation or otherwise, or preferred stock of any of the Company's future subsidiaries. Indebtedness does not include, among other things, NAV attributable to any management shares or hedging obligations or other derivative transactions and any obligation to return collateral posted by counterparties in respect thereto.

[vi] Reflects the discount to NAV of the Company's Public Shares traded on Euronext Amsterdam. The discount to NAV for Public Shares traded on the LSE in Sterling widened from 21.3% on December 31, 2017 to 31.9% on December 31, 2022. The Company did not have an LSE listing in USD as of December 31, 2017.

[vii] Ownership by affiliates of PSCM also includes their charitable vehicles. Holdings of affiliates of the Investment Manager have not been aggregated for regulatory reporting purposes.

ENDNOTES TO COMPANY OVERVIEW, COMPANY PERFORMANCE AND INVESTMENT MANAGER'S REPORT

1. Performance results are presented on a net-of-fees basis. Net returns include the reinvestment of all dividends, interest, and capital gains from underlying portfolio companies and reflect the deduction of, among other things, management fees, brokerage commissions, administrative expenses and accrued and/or crystallized performance allocation/fees (if any). The Company's performance is based on the dollar return for the specific period, including any and all dividends paid by the Company, calculated from the beginning of such period to the end of such period. Where the Company's performance is presented with that of PSLP, performance results assume that an investor (i) has been invested in PSLP since inception and has participated in any "new issues," as such term is defined under Rules 5130 and 5131 of FINRA and (ii) invested in PSLP at its inception on January 1, 2004 and converted to PSH at its inception on December 31, 2012. Such performance information does not reflect either the performance of PSLP since its inception or PSH since its inception and no individual fund has actually achieved these results. The information is presented to illustrate how Pershing Square's core strategy has performed over a longer time horizon prior to the inception of the Company and is not necessarily, and does not purport to be, indicative, or a guarantee, of future results. This performance provided is calculated based on certain inputs and underlying assumptions, but not all considerations may be reflected therein and such performance is subject to various risks and inherent limitations that are not applicable to the presentation of the performance of either PSH or PSLP alone. Although Pershing Square believes the performance calculations described herein are based on reasonable assumptions, the use of different assumptions would produce different results. For example, depending on the timing of an individual investor's specific investment in the Company and/or PSLP, net performance for an individual investor may vary from the net performance as stated herein. The performance is also provided to you on the understanding that you will understand and accept the inherent limitations of such results, and will not rely on them in making any investment decision with respect to an investment with Pershing Square.
2. PSLP's net performance results are presented as it is the Pershing Square fund with the longest track record and substantially the same investment strategy to the Company. The inception date for PSLP is January 1, 2004. In 2004, Pershing Square earned a $1.5 million (approximately 3.9%) annual management fee and PSLP's general partner earned a performance allocation equal to 20% above a 6% hurdle from PSLP, in accordance with the terms of the limited partnership agreement of PSLP then in effect. That limited partnership agreement was later amended to provide for a 1.5% annual management fee and 20% performance allocation effective January 1, 2005. The net returns for PSLP presented herein reflect the different fee arrangements in 2004, and subsequently. In addition, pursuant to a separate agreement, in 2004 the sole unaffiliated limited partner of PSLP paid Pershing Square an additional $840,000 for overhead expenses in connection with services provided unrelated to PSLP, which have not been taken into account in determining PSLP's net returns. To the extent that such overhead expenses had been included as fund expenses of PSLP, net returns would have been lower.
3. The S&P 500 Total Return Index ("index") has been selected for purposes of comparing the performance of an investment in the Company or PSLP, as applicable, with a well-known, broad-based equity benchmark. The statistical data regarding the index has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The index is not subject to any of the fees or expenses to which the Pershing Square Funds are subject. The Pershing Square Funds are not restricted to investing in those securities which comprise this index, their performance may or may not correlate to this index and they should not be considered a proxy for this index. The volatility of an index may materially differ from the volatility of the Pershing Square Funds' portfolios. The S&P 500 is comprised of a representative sample of 500 U.S. large cap companies. The index is an unmanaged, float-weighted index with each stock's weight in the index in proportion to its float, as determined by Standard & Poor's. The S&P 500 index is proprietary to and is calculated, distributed and marketed by S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC), its affiliates and/or its licensors and has been licensed for use. S&P® and S&P 500®, are registered trademarks of Standard & Poor's Financial Services LLC.

4. The performance data presented on page 2 under "Cumulative (Since Inception)" and "Cumulative (Since PSH Inception)" is calculated from January 1, 2004 and December 31, 2012, respectively.

5. The Investment Manager's Report contains Pershing Square's own views and opinions, based on publicly available information, to illustrate Pershing Square's thinking on the matters therein. An investment in the Company will entail substantial risks, and a prospective investor should carefully consider the risks described in "Principal Risks and Uncertainties" and the disclosures contained in Pershing Square's Form ADV Part 2A and the Company's Prospectus.

6. NAV performance is presented as net returns. Please also refer to Endnote 3 and Endnote i of the Chairman's Statement.

7. Please refer to Endnote ii of the Chairman's Statement.

8. Please refer to Endnotes 1 and 3.

9. Stock price performance reflects the Company's NAV performance prior to its IPO and the NAV performance of PSLP prior to the inception of the Company. Please refer to Endnote 1. The Company's share return is calculated based on PSH's Public Shares traded on Euronext Amsterdam and includes dividend reinvestment.

10. Reflects the discount to NAV of the Company's Public Shares traded on Euronext Amsterdam as of March 21, 2023. The discount to NAV for Public Shares listed on the LSE in Sterling and USD was 33.8% and 34.2% on that date, respectively.

11. Twelve-year performance data is calculated from January 1, 2004 to July 31, 2015. PSLP performance data is used prior to the inception of the Company. Also refer to Endnote 1.

12. Assets under management equal the net assets of the Pershing Square Funds calculated in accordance with U.S. GAAP without deducting amounts attributable to accrued performance fees, while adding back the principal value of the Company's debt outstanding ($1.8 billion and €500 million translated into USD at the prevailing exchange rate at the reporting date, 1.08). Also refer to Endnote vii of the Chairman's Statement.

13. Reflects the aggregate investments of Pershing Square affiliates and their charitable vehicles in the Pershing Square Funds.

14. The increase in shareholders' look-through ownership in the Company's underlying portfolio reflects the product of (a) the percentage increase in shareholders' ownership of the Company as a result of share repurchases and (b) the weighted-average of the percentage increase in the Company's ownership of its underlying portfolio companies due to those companies' share repurchases.

15. Please refer to Endnote 21.

16. Long term equity portfolio excludes 2022 portfolio companies held by the Company for less than one year. Please also refer to Endnote 21.

17. Please refer to Endnote 21.

18. Please refer to Endnote 21.

19. Please refer to Endnote iv of the Chairman's Statement.

20. The Portfolio Update reflects Pershing Square's own views and opinions as a shareholder of the portfolio companies discussed therein and should not be taken to reflect the view or opinions of the board of directors of any portfolio company or that of any individual director.

21. This report reflects the contributors and detractors to the performance of the portfolio of the Company. Other than bond interest expense and share buyback accretion, positions with contributions or detractions to performance of 50 basis points or more are listed separately, while positions with contributions or detractions to performance of less than 50 basis points are aggregated.

    The contributions and detractions to performance presented herein are based on gross returns which do not reflect the deduction of certain fees or expenses charged to the Company, including, without limitation, management fees and accrued/crystallized performance fees (if any).

    Inclusion of such fees and expenses would produce lower returns than presented here. In addition, at times, Pershing Square may engage in hedging transactions to seek to reduce risk in the portfolio, including investment-specific hedges that do not relate to the underlying securities of an issuer in which the Company is invested.

    For each issuer, the gross returns reflected herein (i) include only returns on the investment in the underlying issuer and the hedge positions that directly relate to the securities that reference the underlying issuer (e.g., if the

Company was long Issuer A stock and also purchased puts on Issuer A stock, the gross return reflects the profit/loss on the stock and the profit/loss on the put); (ii) do not reflect the cost/ benefit of hedges that do not relate to the securities that reference the underlying issuer (e.g., if the Company was long Issuer A stock and short Issuer B stock, the profit/loss on the Issuer B stock is not included in the gross returns attributable to the investment in Issuer A); and (iii) do not reflect the cost/ benefit of portfolio hedges. Performance with respect to currency hedging related to a specific issuer is included in the overall performance attribution of such issuer.

The contributors and detractors to the gross returns presented herein are for illustrative purposes only. The securities on this list may not have been held by the Company for the entire calendar year. All investments involve risk including the loss of principal. It should not be assumed that investments made in the future will be profitable or will equal the performance of the securities on this list. Past performance is not indicative of future results. Please refer to the net performance figures presented on page 2.

22. While the Pershing Square Funds often take an engaged posture with respect to certain investments, they will own, and in the past have owned, other investments, including passive investments and hedging-related positions. "Short Positions" includes options, credit default swaps and other instruments that provide short economic exposure.

All trademarks are the property of their respective owners. It should not be assumed that any of the securities transactions or holdings discussed herein were or will prove to be profitable, or that the investment recommendations or decisions Pershing Square makes in the future will be profitable or will equal the investment performance of the securities discussed herein. Companies shown in this figure are meant to demonstrate Pershing Square's experience engaging with public companies and the types of industries in which the Pershing Square Funds invest, and were not selected based on past performance.

Limitations of Performance Data

Past performance is not necessarily indicative of future results. All investments involve risk including the loss of principal. This report does not constitute a recommendation, an offer to sell or a solicitation of an offer to purchase any security or investment product. This report contains information and analyses relating to all publicly disclosed positions above 50 basis points in the Company's portfolio during 2022. Pershing Square may currently or in the future buy, sell, cover or otherwise change the form of its investment in the companies discussed in this report for any reason. Pershing Square hereby disclaims any duty to provide any updates or changes to the information contained here including, without limitation, the manner or type of any Pershing Square investment.

Forward-Looking Statements

This report also contains forward-looking statements, which reflect Pershing Square's views. These forward-looking statements can be identified by reference to words such as "believe", "expect", potential", "continue", "may", "will", "should", "seek", "approximately", "predict", "intend", "plan", "estimate", "anticipate" or other comparable words. These forward-looking statements are subject to various risks, uncertainties and assumptions. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Should any assumptions underlying the forward-looking statements contained herein prove to be incorrect, the actual outcome or results may differ materially from outcomes or results projected in these statements. None of the Company, Pershing Square or any of their respective affiliates undertakes any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by applicable law or regulation.